**Balladur's dilemma**
*France may need more than a jobs package*
Page 11

**Resolutely monoglot**
*Britain loses interest in other languages*
Management, Page 7

**A shell for Siberia**
*Russian oil investors find an Irish vehicle*
Page 13

**Haunted by Karajan**
*Gerard Mortier makes his mark on Salzburg*
Page 28


# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY AUGUST 23 1993


## Taiwan in talks with BAe over aircraft venture

Taiwanese politicians, bankers and industrialists are due to meet the chairman of British Aerospace today to try to settle differences over a £250m ($372.5m) joint aircraft-making venture that forms a key part of the UK company's recovery strategy. Officials at Taiwan Aerospace Corporation, partner in the proposed venture, confirmed yesterday that talks with BAe's John Cahill will concentrate on bank financing of the deal. Page 12

**France and Germany strive to mend fences:**

German foreign minister Klaus Kinkel (left) will meet Alain Juppé, his French counterpart, tomorrow as part of a concerted Franco-German effort to improve relations strained by the European currency crisis and differences on trade and defence. French premier Edouard Balladur will see German chancellor Helmut Kohl on Thursday and a meeting of defence ministers is also planned. Page 12; Balladur's dilemma, Page 11

**Scale of massacre shocks Brazil:** Brazil's National Security Council was to hold emergency discussions on protecting indigenous people after the official death toll from a recent massacre of Yanomami Indians rose to 73. Page 3

**Nicaragua turmoil grows:** Left-wing gunmen holding Nicaragua's vice-president and other political leaders yesterday seized at least eight journalists covering the story. The latest hostage-taking, following an earlier kidnap by right-wing guerrillas, has deepened fears of a new civil war between pro-Sandinistas and the Contras.

**Microsoft** looks increasingly likely to face charges of anti-competitive business practices now the US Justice Department has launched an anti-trust probe into the big software company. Page 3

**South African violence flares:** Three gunmen killed 12 people and wounded 20 in an attack on a factory east of Johannesburg. Three more people died in clashes between rival groups near a squatter camp. Page 4

**Moslem gunmen kill ex-premier:** Moslem fundamentalist gunmen shot dead former Algerian prime minister and military security chief Kasdi Merbah in an ambush on his car. Page 3

**New car sales** in western Europe will fall by 16 per cent this year – even more steeply than they did after the first oil crisis of the early 1970s, analysts at UK-based DRI predict. Page 2

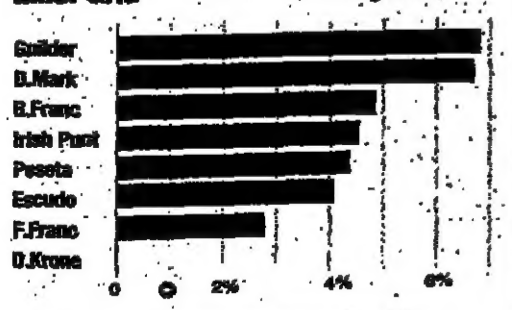
**Contact with Mars probe lost:** US space agency engineers at Pasadena, California, have lost contact with the Mars Observer. The probe was due to go into orbit round Mars tomorrow on its $980m study mission.

**London United Investments,** the UK insurer which collapsed in 1990, could have losses of up to £4.5bn ($6.7bn) – over £1bn higher than earlier estimated. LUI was involved in "long tail" US business, in which claims can arise years after the policy is written. Page 13

**Kurds attack Turkish soldiers:** Kurdish separatists killed 16 Turkish soldiers in an attack on a military post on the Iranian border in Igdir province. Two more Turkish soldiers died when their vehicle hit a mine.

**European Monetary System:** The D-Mark's depreciation towards the end of last week has given a more relaxed air to the exchange rate mechanism's grid. Only 7 percentage points divided the strongest currency, the Dutch guilder, from the weakest, the Danish krone, when trading closed on Friday – down from 8.5 percentage points five days earlier. However, all the currencies except the D-Mark and guilder, are still well outside the fluctuation bands that prevailed before the recent ERM crisis. Currencies, Page 23

**EMS: Grid** August 20, 1993




*The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. After the reform of the exchange rate mechanism on August 2, 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The exception is the divergence between the D-Mark and the Dutch guilder, which remain tied to each other in a 2.25 per cent band.*

**Merrill Lynch**, biggest US securities house, is to apply to the Bank of England to become a dealer in UK government bonds. Many foreign houses, Merrill included, quit the gilts market in the late 1980s. Page 13

**Mother Teresa:** The health of the 82-year-old Nobel prize winner worsened. Doctors in New Delhi moved her to a coronary unit after she developed breathing problems. Mother Teresa was fitted with a pacemaker after suffering a second heart attack in 1989.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Germany | DM3.30 | Malta | Lm0.60 | S.Arabia | SR11 |
| Bahrain | Din1.250 | Greece | Dr300 | Morocco | MDh13 | Singapore | S$4.10 |
| Belgium | BFr65 | Hungary | Ft172 | Neth | Fl 3.75 | Slovak Rp | KSL45 |
| Bulgaria | Lw25.00 | Iceland | IKr215 | Nigeria | Naira45 | Slovenia | SLT220 |
| Croatia | HRD5700 | India | Rs40 | Norway | NKr16.00 | South Africa | R12.00 |
| Cyprus | CC1.00 | Israel | Shk5.90 | Oman | OR1.50 | Spain | Pta210 |
| Czech Rp | CZK45 | Italy | L2700 | Pakistan | Rs35 | Sweden | SKr15 |
| Denmark | DKr15 | Jordan | JD1.50 | Philippines | Pso45 | Switz | SFr3.20 |
| Egypt | E£4.50 | Kuwait | Fils600 | Poland | Zl 22,000 | Syria | S£50.00 |
| Finland | FM12 | Lebanon | US$1.25 | Portugal | Esc215 | Tunisia | Din1.250 |
| France | FFr8.00 | Lux | LFr65 | Qatar | QR12.00 | Turkey | L8000 |
| | | | | | | UAE | Dh11.00 |

# Ford warns future losses may lead to cut in jobs

By Kevin Done,
Motor Industry Correspondent

FORD of Europe will be in loss in 1993 for the third successive year, and the company has warned that further losses next year would begin to hit its future investment and product development programmes.

The company has told its workforce that it may have to cut more jobs "if conditions in Europe continue to worsen", in addition to the 14,400 jobs it is eliminating by the end of this year.

Ford of Europe warned that the industry faced excess capacity of about 7m units by the mid to late 1990s. At the same time an industry forecast released today predicts that west European new car sales would fall by 16 per cent this year to only 11.3m from 13.5m in 1992.

Mr Jacques Nasser, who was appointed chairman of Ford of Europe late last year to end two years of losses, has told employees, "clearly we have not yet achieved the turnaround we require" despite the "most radical restructuring in our 25-year history".

In a message broadcast to employees on the company's internal television service, Mr Nasser warned that a failure to return to profitability soon would start to endanger "core competencies".

"This means you start to take out the muscle of the organisation as well as the fat. If that happens we will have been forced to limit our capability of competing."

Ford's European automotive operations (including Jaguar and excluding financial services) have suffered total losses of $2.4bn in the past two years.

In the first half of 1993, losses totalled a further $257m compared with a profit of $107m in the corresponding period a year ago.

The company is already aiming to slash the workforce of its European automotive operations (excluding Jaguar) by 14.8 per cent to 83,000 by the end of 1993 from 97,400 last October. The workforce will have been cut by 28 per cent from 115,000 in 1990.

Mr Nasser said: "If we cannot improve our financial results both in the short and medium term, we will not be able to introduce the new products that we need to maintain or improve our position in Europe's automotive industry."

He said that Ford of Europe losses were rising as a result of:

- the 18 per cent fall in new vehicle sales across Europe in the first seven months
- unfavourable exchange rate movements
- higher marketing costs
- declining market share with share losses by the Ford Escort/Orion and the Fiesta ranges offsetting gains made by the Mondeo, which was launched earlier this year.

Car sales to slide, Page 2

## Izetbegovic likely to recommend assembly reject proposed peace deal

# Bosnia plan put at risk by flare-up in fighting

By Gillian Tett in London, David Gardner in Brussels and Laura Silber in Belgrade

THE FUTURE of the peace plan for Bosnia appeared to be hanging in the balance yesterday, amid reports of renewed fighting and growing civilian suffering.

Amid confusion about the proposed roles of the United Nations and the European Community in the peace plan, an EC official yesterday admitted that it had not been fully consulted about the peace plan's unexpected suggestion that it should take over administration of the disputed southern Bosnian city of Mostar.

Mr Alija Izetbegovic, the Bosnian president, announced that he would call a meeting of the Bosnian parliament on Friday to discuss the plan, which was presented to the three sides in Geneva last Friday.

But, speaking in the central Bosnian city of Zenica, he indicated he would probably recommend the assembly to reject the plan – in spite of pressure from the international community to accept the deal – a move likely to exacerbate the splits in the multiethnic Bosnian leadership.

The three sides in the conflict have until next Monday to decide on the plan, which would give the Moslem-dominated Bosnian government about 28 per cent of Bosnia – considerably less than its delegation originally sought.

Reports of renewed fighting yesterday left all three sides accusing each other of seeking to grab territory in the run-up to next Monday's decision.

Sarajevo radio reported new Serb attacks around Brcko, the port designated for Bosnian access to the River Sava in the north under the peace plan, and Radio Belgrade reported overnight Moslem attacks near Serb-held Doboj, northern Bosnia.

A UN military spokesman in Zagreb yesterday could not confirm reports of further fighting in central Bosnia, but confirmed clashes between Croat and Bosnian forces around Mostar.

Ms Lyndall Sachs, UN High Commissioner for Refugees spokesman in Sarajevo, bitterly criticised the Croat forces around Mostar for their refusal to let aid convoys into the east of the city, where up to 50,000 mostly Moslem inhabitants have been trapped for more than two months with minimal supplies.

Although the UN managed to take a token supply of medicine into the city at the weekend, Ms Sachs yesterday said talks between the Spanish peacekeeping troops and Croat forces about access for food convoys had so far failed to yield results. Mostar residents now faced a real danger of starvation, Ms Sachs said.

Meanwhile, the 12 EC member states were last night locked in talks on the administration of Mostar. Foreign ministries of the 12, and the European Commission in Brussels, were still digesting the idea, officials said.

But the officials were not ruling out a role for the EC in Mostar analogous to the suggested role for the UN in running Sarajevo. "It all depends on the scale of what is meant by administration," one said.

Mr Thorvald Stoltenberg, the UN mediator, is due to fly to New York for talks with the UN security council this week. Although Mr Stoltenberg has estimated that up to 40,000 peacekeeping troops would be needed to implement the peace plan, officials yesterday said there was still no agreement about where the troops would come from.

Map poses dilemma, Page 2

Reuter
Spanish UN soldiers throw biscuits from their ration boxes to hungry children in Mostar. The UN warned that people there faced starvation unless Croat forces allowed food convoys to enter the besieged city

# Japan signals readiness to act on trade

By Gordon Cramb in Tokyo

JAPAN'S new ruling coalition, grateful to Washington for intervening in currency markets last week to hold back the rise in the yen, is signalling that it has moved the issue of the country's trade surplus with the west higher up its political agenda.

Mr Hiroshi Kumagai, minister for international trade and industry, said yesterday that a continuing high trade surplus would be "one factor leading to the destruction of the world economy".

A group of visiting US congressmen headed by Mr Sam Gibbons, chairman of the House ways and means subcommittee on trade, at the weekend pronounced itself satisfied that the seven-party government sworn in two weeks ago was taking the problem seriously.

Mr Gibbons, a Florida Democrat, expressed hope that talks on a new bilateral economic framework, which start next month, would produce results by January.

Mr Morihiro Hosokawa, the prime minister, is due to give a policy speech to parliament today covering issues from political reform – his government's main aim – to how to deal with a prolonged slowdown in the domestic economy.

The coalition pledged on Thursday to deregulate administrative procedures in order to

Continued on Page 12

# Clinton boosts export role with pitch for Saudi business

By George Graham
in Washington

PRESIDENT Bill Clinton's personal intervention with King Fahd of Saudi Arabia on behalf of US aircraft manufacturers could signal a new style of high pressure export promotion by the US government, according to administration officials in Washington.

The results of Mr Clinton's telephone call to King Fahd, urging him to buy Boeing and McDonnell Douglas jets for the fleet modernisation planned by Saudia, the national airline, are not yet clear.

Senator Patty Murray of Washington, the home state of Boeing, proclaimed victory last week, but industry experts believe each of the three large passenger aircraft makers – Boeing, McDonnell and Airbus Industrie of Europe – is likely to receive at least a share of the Saudia order.

White House officials said Mr Clinton had encouraged King Fahd to buy American, but had lobbied for the US aerospace industry in general, rather than on behalf of any particular manufacturer.

"The president has said he would do all he could to promote US aircraft and aircraft manufacturers," said Ms Dee Dee Myers, the White House press secretary.

Ms Murray said: "What it really shows is that finally government and business understand that they have a partnership in the worldwide economy."

President Clinton has repeatedly stressed his desire to make economics a more central component of US foreign policy and is eager to create more jobs in export industries.

The proposed modernisation of Saudia's 107 aircraft fleet is expected to include the purchase of about 60 aircraft, for delivery up to the year 2000, with options for perhaps 20 more.

Some industry officials believe Saudia may not announce the results of its tender until October.

Worth between $6bn and $8bn, the order is by far the largest currently up for grabs in the civilian aerospace market.

French officials last month said they were confident that Mr Alain Juppé, France's foreign minister, had succeeded in persuading Saudia to order 44 aircraft from Airbus, but aerospace industry analysts said Saudi irritation at the premature announcement could have cost the European consortium some of the order.

Boeing and McDonnell officials are worried that Ms Murray's comments could have the same effect.

It is a maxim within the aircraft industry always to allow the customer to announce the order.

US efforts to win the lion's share of the Saudia order, however, appear to have been sustained and well co-ordinated.

Mr Clinton's telephone sales pitch followed a trip to Saudi Arabia in May by Mr Ron Brown, the commerce secretary, and has been backed up by the US Export Import Bank's decision to help Boeing's bid with a preliminary financing commitment of $6.2bn in direct loans and guarantees, its largest ever such commitment.

French presidents have for years taken a much more aggressive approach than their US counterparts in lobbying for contracts at the highest political levels.

However, US presidents are no strangers to intensive lobbying. Former President George Bush visited Japan in the company of US car and car part manufacturers, although this raised hackles in Tokyo – which 10 years earlier had reacted snootily to efforts by the former British prime minister Mrs Margaret (now Lady) Thatcher to persuade Japanese carmakers to locate in that country.

The Asahi Shimbun newspaper said she had "become an official in an employment agency".

BAe in joint venture talks with Taiwan, Page 12



## CONTENTS

# Moscow keeps Baltics guessing on troop pullout

By Matthew Kaminski in Vilnius

RUSSIA'S sputtering troop withdrawal from the three Baltic states has turned into a curious political game.

Last week, for example, Russia stopped the pullout from Lithuania to protest against Lithuanian demands for reparations – less than two weeks before the planned first complete withdrawal from a former Soviet republic. And yesterday Moscow tersely told Vilnius it was breaking the agreement to be out by August 31.

"The withdrawal will take place according to the norms of international law, but now over a period which the Lithuanian side will be informed about," a Foreign Ministry statement said.

Their quarrel stems from Lithuanian demands for $143bn to cover damages for 50 years of Soviet rule - unrecoverable financially but, for the Lithuanians, an important admission of occupation by Russia. Russia refuses to be held responsible, financially or historically, for the Soviet era.

While Lithuania, which has granted citizenship and the right to vote to most Russians living on its territory, has enjoyed good relations with Moscow, Latvia and Estonia are engaged in a vigorous debate on the troop question.

Citizenship and language laws have strained relations in both states, where 1.5m ethnic Russians live.

The troop withdrawal was repeatedly halted, most recently in Estonia after the country passed a discriminatory aliens law.

Mr Andrei Kozyrev, the Russian foreign minister, last week said: "Russian troops will not leave the Baltic states until an agreement is completed which guarantees the Russian-speaking minority's rights." Mr Kozyrev affirmed his support for an autonomy vote in Narva, an Estonian city that is 95 per cent Russian.

An Estonian government spokeswoman likened the move to the Russian army's involvement in conflicts in Moldova, Georgia and Tajikistan.

Both sides are playing on the European diplomatic field, where Russia and the Baltic states are eager to look good and preserve western political and financial assistance.

Estonia pulls no punches in trying to break from the past, in the process alienating the Russian population, and rekindling historical links, especially to Scandinavian countries.

President Lennart Meri asked both the Council of Europe and the Conference on Security and Co-operation in Europe to review the controversial aliens law before signing an amended version – an unprecedented move for a sovereign state but indicative of Estonia's desire for European blessing.

Russia similarly covets Council of Europe membership – awarded to Estonia over Russian objections earlier this summer – but seems willing to jeopardise entry by refusing to honour international resolutions by the Council and the United Nations for "early, orderly and complete withdrawal".

This signal, Baltic leaders contend, shows hardline nationalists still have a strong hand in Moscow, advocating any means, including military conquest, to secure rights for the 25m ethnic Russians who live outside Russia.

A United Nations observer arrives in the three countries on August 28 to monitor the pace of Russia's pullout. Mr Carl Bildt, the Swedish prime minister, has mediated in recent tensions and has called on Russia to expedite the withdrawal.

*Moscow, as usual, now* holds all the cards. Western leaders, especially Mr Bildt, see troop pullout as an important test of how Russia handles relations with republics which, unlike Belarus or the Central Asian republics, want to sever political ties to the east.

# German politicians brace for a roller-coaster ride

By Quentin Peel in Hamburg

THE great beer tent at the fair on Hamburg's Heiligengeistfeld heaved and shuddered every few minutes as a roller-coaster thundered down its precipitous track only yards from the tent door. The roar hit the walls of the tent like the waves of a storm at sea.

But inside, the capacity crowd was impervious to all distractions from the fun of the fair. They had come for a different and more exclusive experience.

All attention was fixed on a sober-suited, dapper, white-haired gentleman, speaking from the platform under a giant portrait of a grinning ox. Here was a face and a voice from the past.

Mr Helmut Schmidt, former West German chancellor, was back on the bandwagon for the first time in more than 10 years, throwing his political weight into an election campaign for his Social Democrats. He was on home ground, in his native city, back from self-imposed *political exile. And they* loved it.

Mr Schmidt personifies an image that the SPD is desperate to recapture, only months before the marathon election year of 1994, with no fewer than 19 local, state, national and European polls: that it is a party "capable of government".

It is a message they need to put across in Hamburg, too, in spite of having ruled the city council almost uninterruptedly since the war. For the SPD is in danger of losing its absolute majority in the city-state in an extraordinary election it is having to fight through no fault of its own. And all eyes will be on the poll result on September 19 to see clues for next year's big campaigns.

Yet Mr Schmidt's message was grim enough. "Above all, get out and vote," he urged, "for the very existence of our republic is at stake."

Voting for the SPD itself was only his secondary theme. His greatest concern is that too many will either stay away from the polls or cast a protest vote against the political establishment, for the extremes of left or right.

## 'Anyone who votes for far left or far right endangers the republic'

"Whoever dares to vote for a fringe party, to throw away his vote on a party of the far left or right, is making the same mistake many of our parents and grandparents made in 1931 and 1932, with terrible consequences," he warned. "For *God's sake, don't give them a* single vote, those people who have a sneaking sympathy for skinhead murder gangs. This coming election year will be the greatest test yet faced by our generation."

There is a real fear in Hamburg, in spite of prosperity, that protest voters and stay-at-homes will undermine all main political parties in the poll.

For a start, the election is a bit of a nonsense. It has been ordered by the local constitutional court, half way through the life of the current city council, because the losers last time – Chancellor Helmut Kohl's Christian Democratic Union – were found undemocratic in the way they selected their party candidates. And yet it is the SPD that could lose most in the re-run.

In 1991, the SPD won a wafer-thin absolute majority of one, with 48 per cent of the vote, against 35 per cent for the CDU. Opinion polls last week put the SPD on 42 per cent and the CDU down around 34 per cent, with a sharp increase in support for protest parties such as the Greens and far-right Republicans.

"The one certain thing is that the SPD will lose its absolute majority," says Mr Wolf Brocke, election campaign agent for the CDU. "There is also a real danger that a far-right party will gain some seats in the council."

*So far, it looks as if the main* beneficiaries of protest votes will be the Greens, whose support is up from 7.2 per cent to at least 10 per cent. But the Republicans are bumping just under the 5 per cent barrier which they must cross to get into the council, and another far-right party, the Deutsche Volksunion (DVU), is also pushing for support.

Just to complicate the picture, there is a special party for the disaffected, the so-called Statt Partei – a play on words, meaning it stands "instead of" the traditional parties – founded and led by Mr Markus Wegner, the 40-year-old publisher and former CDU member who brought the court case challenging the last elections. The polls suggest he will only pick up 2 per cent but nobody really trusts the polls – most are just phone surveys.

Mr Ernst-Ullrich Böttcher, a clerical worker in a Bremen trading house who heads the Republicans' list of candidates, is confident he will be sitting in the council chamber next month, with between 6 and 8 per cent of the vote – in spite of a very low profile on the city streets. Few voters know his name and few have seen his posters, but the fear of the majority parties is an effective advertisement.

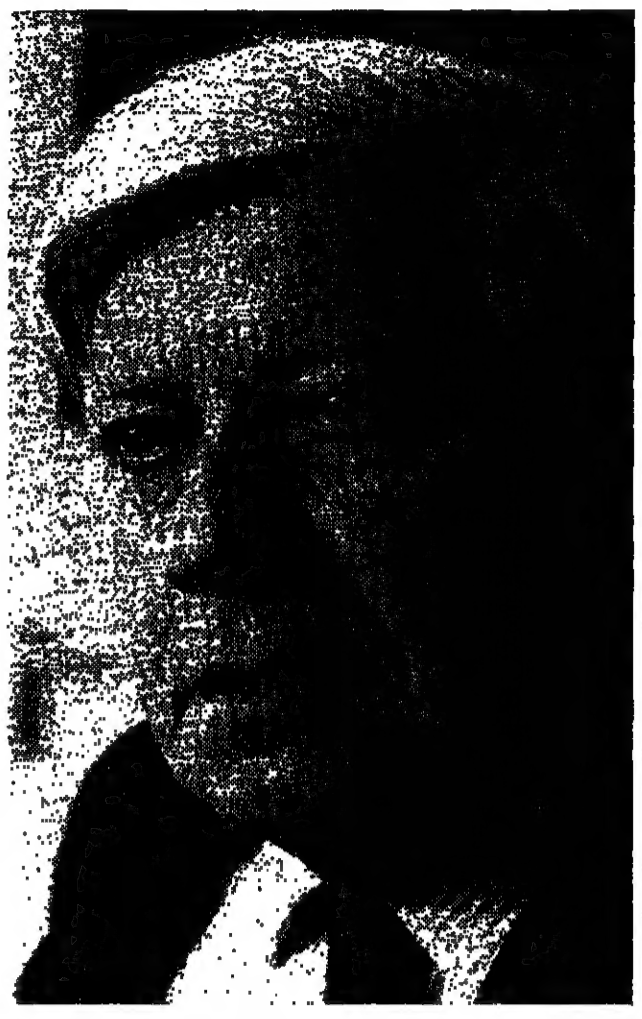
Just as the SPD is desperate to prove itself capable of government, the Republicans are desperate to prove themselves "house-trained" – capable of being civilised members of a democratic society. Mr Böttcher bends over backwards to deny any hint of xenophobia in his *campaign.*

"I was born in 1948, and no one can accuse me of being a Nazi or a neo-Nazi," he says. "I have four nephews and nieces who are Egyptians, and four who are Italian."

There is a chance the right-wing vote will split between the Republicans and the DVU, leaving neither with the necessary 5 per cent. Indeed, if that happens and the Free Democratic party also fails to cross the 5 per cent barrier, the SPD could hang on to power with a vote of around 44 per cent. But no one really believes it.

Mr Hans-Ulrich Klose, parliamentary leader of the SPD in Bonn and another son of Hamburg, knows the eyes of the world are on the rise of the right. "Six or eight per cent would be too much," he says. "It might be all right in France or Italy. It certainly is not in Germany."

That is Mr Schmidt's message, too. And that seems to be why he has decided to come back to the political platform and call for a steady hand. "Anyone in Hamburg who votes for the far left or the far right will endanger the republic itself, and the outward-looking tradition of our state," he said. "Hamburg is a European metropolis. Our international reputation is at stake."



J H Darchinger

Helmut Schmidt: back on the bandwagon

# Old ways imperil the new Russia

## *Leyla Boulton* on the vested interests which hinder reforms

MR Sergei Glaziev, Russia's 32-year-old minister for foreign economic relations, was en route to Africa on Friday when the Kremlin ordered his aircraft back in mid-flight. Before leaving he had introduced draconian rules to crack down on corruption in the distribution of lucrative export quotas.

Before the weekend was out, Mr Glaziev had offered to quit his job, saying he had been the victim of "mafia structures" and officials whose corrupt interests he had threatened.

Mr Glaziev's resignation offer, a day after the resignation of Mr Mikhail Fedotov, the information minister, is symptomatic of the chaos at the top of reformist Russia as it seeks to shed its communist past for more democratic government.

Yesterday morning, soon after Mr Fedotov said he was quitting in protest against parliament's moves to muzzle the media, gun shots were fired at his office.

Mr Fedotov says he wants the media to be free of control from the presidential camp, but can do nothing because television is really controlled by Mr Mikhail Poltoranin, the presidential aide who is likely to take his job.

The resignation of two young reformist ministers reflects *more than just the harsh* reality of politics around the world. In Russia it marks a struggle for reform without reformed decision-making.

A chaotic and slow bureaucracy, set at times against the extensive personal power of President Boris Yeltsin, has become potentially lethal, given the all-out political war between *president* and the parliament which Mr Yeltsin wants to replace with a new bicameral assembly and a modern constitution.

Although bitter at intrigues from within the presidential camp, even Mr Fedotov said there was no room for compromise with parliament on Mr Yeltsin's bid to push through new parliamentary elections in the autumn.

"We don't have a parliament. We have a parliamentary party," he said. "It and the presidential party must solve their argument through elections. The parliament does not want to compromise with the president – it just wants to do whatever it likes."

In the interim, though the alternatives presented by parliament are even less appealing, Mr Yeltsin's powers are clearly open to abuse, sometimes at the expense of the democratic, market-oriented *reforms he says he is pursuing.*

Mr Fedotov's removal had been imminent since last week when Mr Poltoranin staged an event at which media chiefs called for the minister's removal in the president's presence. The occasion was akin to old-style Communist party meetings where comrades stood up to denounce particular individuals according to a prepared script.

In the case of the relatively junior and expendable Mr Glaziev, if his resignation is accepted, *he will have become* a scapegoat for Mr Yeltsin's need to appear as "Mr Clean".

One sympathiser from the reformist wing of the government, who declined to be identified, said he was convinced Mr Glaziev was honest, even though officials in his ministry were certainly taking bribes. Until Russia removes export quotas altogether, foreign trade will remain a breeding-ground for corruption.

But it is Mr Glaziev, who took the courageous decision to cut the number of organisations allowed to export strategic commodities, who is being forced to take the blame for trying to limit the abuses.

*In his resignation letter,* Mr Glaziev said he had been hounded out of office by Mr Vladimir Shumeiko, the first deputy prime minister and a key Yeltsin aide, who is *being investigated for* corruption at parliament's request.

Previously a political weapon in the struggle between parliamentary and presidential camps, corruption allegations are now helping to tear apart the reformists in government.

Radical reformers such as Mr Boris Fyodorov, the finance minister who has complained of intrigues within the cabinet, have attempted to overcome inefficiency and abuses by taking as much decision-making as possible out of state hands.

But Mr Yeltsin's own extensive powers, designed to cut through the inefficiency, have also proven a liability, given the amount of property and economic decision-making still controlled by the state.

For instance, the president at the end of last year signed a decree which led to the "irrevocable" transfer of a building worth millions of dollars in the centre of Moscow to a mainly private investment company headed by the former industry minister.

In later trying to recover the building for other purposes, despite the *terms of the* contract saying it could not do so, the State Property Committee, which is responsible for both privatisation and managing property still in state hands, violated the very respect for property rights the economic reforms have tried to promote.

## Decline forecast to outstrip fall which followed first oil crisis

# W European car sales 'to slide'

By Kevin Done,
*Motor Industry Correspondent*

THE decline in new car sales in west Europe this year will be steeper than during the recession following the first oil *crisis in the early 1970s*, according to the latest forecast by DRI, the UK-based automotive analysts.

West European new car sales are forecast to fall by 16 per cent this year to 11.3m, from 13.5m in 1992. The outlook for next year is also gloomy, with the prospect of only a small recovery.

New car sales in the region in 1994 are predicted to rise by only 2.9 per cent to 11.66m, with the expected further small declines in Germany and Italy next year offset by modest increases in demand in the UK, France and Spain.

West European car production is set to fall by 2m vehicles or 15 per cent this year to 11.4m, from 13.4m in *1992, says the DRI report.* Output is unlikely to regain the 1989 peak of 13.7m until 1996, with the start of stronger recovery delayed until 1995. The UK is an exception, however.

Output is being boosted by development of three Japanese car plants established by Nissan, *Toyota and Honda. UK car* production is forecast to rise from 1.3m in 1992 to a record 2.1m in 1998.

According to DRI, Toyota is expected in 1996 to add a second model range, the Toyota Corolla small family car, at its £700m UK plant. It forecasts that Toyota car output in the UK will rise from 37,000 units this year, the first year of production, to 273,000 by the late 1990s.

Mr Tatsuro Toyoda, Toyota president, said in June the group was considering production of a second model range in the UK.

By 1998 Japanese car production in the UK is expected to reach 800,000 units a year – accounting for about 37 per *cent of British car output and* allowing the UK to move from fifth to third place in the European production league, ahead *of Spain and Italy.*

In addition to the steep recession in west Europe, new car sales are falling in Japan, where the DRI report forecasts a 6 per cent drop this year to *4.19m units, an unprecedented* third successive annual decline from the peak of 5.1m in 1990.

The declining demand in west Europe and Japan means new car sales worldwide are expected to contract by 3 per cent to 33.02m this year, the second significant decline in the last three years.

New car sales worldwide totalled 34.05m last year after peaking at 35.01m in 1990. Sales fell by 3.3 per cent in 1991.

However, global sales are forecast to recover from these setbacks next year with a 5.4 per cent rise to 34.8m. Continuing steady growth is expected to take worldwide new car sales to 41.3m by 1998.

Much of the growth next *year is forecast to come from* North America, Asia and east Europe. Car sales are already recovering in North America, with an increase of 4 per cent to 9.55m this year expected to be followed by a further rise of 6.1 per cent in 1994.

The strongest growth worldwide is expected to come from *outside the leading car-consuming* regions of west Europe, North America and Japan, however.

The DRI forecasts a 21 per cent increase in global car demand from 1992 to 1998, with most growth coming from South Korea, China, Thailand, Latin America and east Europe.

New car sales in China more than doubled in 1992 to 321,000, from 145,000 in 1991. Sales are expected to triple to 1.05m by 1998.

A similar development is forecast for Thailand, with sales jumping to 540,000 by 1998 from 121,000 last year and 66,000 in 1991.

*DRI World Automotive Forecast Report, DRI McGraw-Hill, Wimbledon Bridge House, 1 Hartfield Road, London, SW19 3RU. Price £3,000*

**WORLD CAR SALES FORECAST (000s)**

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| WORLD TOTAL | 34,050 | 33,015 | 34,803 | 36,467 | 38,521 |
| West Europe total | 13,494 | 11,324 | 11,656 | 12,469 | 13,369 |
| Germany | 3,929 | 3,063 | 3,001 | 3,128 | 3,310 |
| Italy | 2,374 | 1,866 | 1,795 | 1,932 | 2,052 |
| France | 2,105 | 1,776 | 1,889 | 1,965 | 2,114 |
| UK | 1,593 | 1,768 | 1,889 | 2,061 | 2,187 |
| Spain | 979 | 720 | 812 | 925 | 1,052 |
| East Europe** | 1,220 | 1,186 | 1,316 | 1,472 | 1,630 |
| North America total | 9,181 | 9,550 | 10,136 | 10,134 | 10,423 |
| US | 8,383 | 8,790 | 9,242 | 9,124 | 9,378 |
| Japan | 4,454 | 4,192 | 4,297 | 4,459 | 4,617 |
| Asia Pacific total† | 2,449 | 3,015 | 3,390 | 3,753 | 4,052 |
| South Korea | 830 | 929 | 1,016 | 1,098 | 1,118 |
| China | 321 | 489 | 520 | 576 | 726 |
| Thailand | 121 | 245 | 368 | 485 | 542 |
| Latin America total | 1,561 | 1,843 | 1,861 | 1,930 | 2,053 |

**WORLD CAR PRODUCTION FORECAST (000s)**

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---|---|---|---|---|
| WORLD TOTAL (net)* | 34,749 | 33,637 | 35,263 | 36,961 | 39,116 |
| West Europe total | 13,376 | 11,385 | 11,773 | 12,632 | 13,711 |
| Germany | 4,863 | 3,736 | 3,690 | 3,794 | 4,046 |
| France | 3,325 | 2,859 | 2,869 | 3,037 | 3,251 |
| Spain | 1,790 | 1,531 | 1,645 | 1,845 | 1,968 |
| Italy | 1,476 | 1,168 | 1,313 | 1,451 | 1,587 |
| UK | 1,291 | 1,428 | 1,524 | 1,638 | 1,901 |
| East Europe** | 1,470 | 1,590 | 1,920 | 2,200 | 2,420 |
| North America total | 6,957 | 7,497 | 7,827 | 7,961 | 8,106 |
| US | 5,937 | 6,152 | 6,562 | 6,712 | 6,810 |
| Japan | 9,378 | 8,753 | 8,873 | 8,987 | 9,222 |
| Asia Pacific total† | 2,249 | 2,755 | 3,325 | 3,753 | 4,184 |
| South Korea | 1,242 | 1,456 | 1,751 | 1,909 | 2,065 |
| China | 171 | 263 | 369 | 487 | 646 |
| Thailand | 104 | 220 | 309 | 375 | 449 |
| Latin America total | 1,814 | 2,161 | 2,221 | 2,292 | 2,420 |

*Excluding traceable double counting.
**Including Commonwealth of Independent States.
†Excludes Japan.

Source: DRI World Automotive Forecast Report - August 1993.



# Map poses dilemma for Izetbegovic

By Laura Silber in Belgrade

## Bosnia's president has chance to choose peace – at the risk of losing his country

*WHEN Bosnia's President Alija* Izetbegovic headed for peace talks in Geneva a month ago, he said: "We will do everything to reach peace, but also to preserve the state and the nation." *In the next week he has to* decide whether to back the deal that could offer him peace and lose him the state.

On the table is the map put forward by international mediators *which partitions his* republic in an effort to end 17 months of war.

While the peace envoys explained how they tried to wring concessions from the *Serb and Croat sides in order* to salvage a viable republic for the Bosnian Moslems, the compromise map sanctions Serb and Croat military victory in Bosnia.

*In statements remarkable for* their similiarity, Serb and Croat leaders welcomed the proposed plan as a "compromise which could bring an end to the war". They are likely to *put their signatures to the* Geneva agreement.

But Mr Izetbegovic is faced with a plan that leaves his Bosnian republic virtually land-locked and geographically dis*jointed.*

Moslems, the biggest ethnic group in Bosnia, will stand slim chance of preserving their bizarrely shaped republic and national identity sandwiched *between the new Greater* Serbia and Greater Croatia.

Serb enthusiasm for the plan appears to reflect this: "The Turks [a derogatory term for Bosnia's Moslems] are going to be like walnuts in a Serbo-Croat nutcracker," a member of the Bosnian Serb delegation on Friday night in Geneva gleefully boasted after the proposal was announced.

*But if Mr Izetbegovic* rejects the proposal next Monday, he risks losing the already dwindling support of the international community. He and his Bosnian assembly, which this week will consider the plan, will be seen as opting for more war over the "compromise" solution brokered by mediators Lord Owen and Thorvald Stoltenberg.

*In remarks which reveal the* intense pressure on Mr Izetbegovic, Serbian foreign minister Vladislav Jovanovic said yesterday in an interview with Radio Belgrade that the Euro*pean Community had threat*ened Mr Izetbegovic that western governments would cut off finances for the UN peace-keepers and humanitarian aid if he rejected the plan.

In addition, if the war continues, the outgunned and exhausted Bosnian army could be totally defeated. Croats and Serbs in the mostly Moslem republic may be left without a homeland, forced to take sides amid the dwindling resources and the collapse of a multi-ethnic Bosnia.

Since the war erupted in April 1992, Mr Izetbegovic has *made clear that he was fight*ing for the survival of a Bosnian state as well as the Moslem nation.

But the map fails to restore territory which was mostly *Moslem before the war to* Bosnian government control. The three remaining pockets in eastern Bosnia, proclaimed "safe areas" by the UN, are joined by a tenuous route.

*The road is designated for* Moslem control but it runs through Serb-held Trnovo, which is part of the Sarajevo district.

The temporary solution on Sarajevo freezes current front-lines and the fate of the Bosnia capital depends on the overall success of the peace settlement.

Access routes and fly-overs etched on the map to link the mostly Moslem republic to ports on the northern River Sava and the Adriatic show the state as unlikely to survive in the hostile climate of the *aggressive Balkan nationalism.*

The only real chance for Mr Izetbegovic and his future mostly Moslem Bosnian republic rests with the international community's will to pour in generous *amounts of aid to* pave the way for the gradual re-integration of the territory into the Balkans and Europe.

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## Senior Fed official plays down speculation

# US rates 'not seen as target for policy'

By Michael Prowse in Jackson Hole

THE US Federal Reserve does not regard interest rates as a target for monetary policy, but is putting more emphasis on them as an indicator of financial conditions, according to a senior Fed official.

"Some focus on interest rates can help to an extent – possibly reducing the odds of some of the most egregious policy errors – but it is no panacea," said Mr Donald Kohn, director of the Fed's monetary affairs division. He was attending a monetary symposium at Jackson Hole, Wyoming.

In testimony to Congress last month, Mr Alan Greenspan, the Fed chairman, said the central bank would put more emphasis on real interest rates as a policy guide because traditional relationships between monetary aggregates and inflation and national income had broken down. He said it was important to prevent real rates moving too far from the "equilibrium level" consistent with sustainable non-inflationary growth.

This prompted speculation in financial markets that the Fed was changing the way it conducted policy and was adopting interest rate targets in place of a previous more eclectic policy.

In an apparent effort to discourage such speculation, Mr Kohn emphasised the "pitfalls involved in too heavy a reliance on interest rate indicators". He noted that capital market innovations that had affected the relationship between money and other economic variables had probably had a similar impact on their relationship with interest rates.

Targeting real interest rates could not tie down inflation because "there is no unique inflation rate" associated with any given equilibrium or natural interest rate. Measurements of real rates, moreover, were complicated by the "absence of information on inflation expectations".

Finally, equilibrium real rates were themselves likely to fluctuate over time, presenting a moving target for policy makers.

Although the difficulties in using real rates were "formidable" there was a "potential significant place for them in policy – not as a target of policy but as an information variable".

Mr Kohn's remarks suggested that Mr Greenspan's emphasis on real rates in last month's testimony was mainly intended to prepare the ground for an eventual raising of short-term rates.

Most estimates suggest that real rates are about zero at present.

# Peering through Microsoft windows

## Probe by the Justice Department may distract computer software giant, writes Louise Kehoe

THE US Justice Department's decision to pursue an anti-trust investigation of Microsoft makes it increasingly likely that the world's largest computer software company will face charges of illegal anti-competitive business practices.

Justice officials disclosed on Friday they had initiated an inquiry after a preliminary review of evidence gathered by the Federal Trade Commission in its three-year anti-trust probe of the company.

Simultaneously, the FTC said it had voted to close its investigation of Microsoft after deadlocking – in February and again in July – on whether to take action against the company. Mr Donald Clark , FTC secretary, warned the company that the commission's decision should "not to be construed as a determination that a violation may not have occurred".

"The Justice Department's involvement represents a much more serious threat to Microsoft than it faced from the FTC," said Wendy Goldman Rohm, author of a book soon to be published on Microsoft's anti-trust battle.

The FTC had narrowed its case against Microsoft to issues unlikely to have a significant financial pact on the company. But the Justice Department is expected to broaden the case, raising the possibility of tougher sanctions and even, perhaps, an order to break up the company. Microsoft has denied any wrongdoing and insists it will be vindicated.

But the case raises serious concerns for the Clinton administration, which has identified high-tech industries as the "engine for economic growth". Microsoft is a prime example of the enterprise the administration aims to encourage: a world market leader that has demonstrated US competitiveness.

The company recently reported its 18th consecutive year of growth in revenues and profits. Over the past five years Microsoft's sales have grown by an average 46 per cent a year to reach $3.75bn (£2.48bn) in fiscal 1993, ending June 30.

Microsoft dominates the market for personal computer operating systems, programs that control the basic functions of a PC. Microsoft's MS-DOS is used on more than 90 per cent of PCs. Microsoft's "Windows" program, which provides "point and click" control for PCs, is also a runaway success with over 30m copies in use.

Competitors claim Microsoft's success has come at their expense, alleging the company abuses its dominant role in the PC operating system software market to exclude or disadvantage competitors.

But a recent study suggests Microsoft has been the driving force behind software industry growth. The study, by Telecommunications Research Group, concludes almost 500 companies have been formed in the US to create PC software to work with Microsoft's Windows, with more than 17,300 jobs created. Microsoft Windows has created an industry of new companies that together have annual revenues of about $280m, and more than $1.3bn in incremental revenues for established software firms, the study concludes.

Yet the vast majority of these companies are very small. The typical software firm employs just six people and generates about $560,000 in annual revenues, according to TRG. All are beholden to Microsoft, reknowned as an aggressive competitor.

Microsoft's role in the industry is frequently compared to the power that IBM wielded in the computer market of the 1970s and early 1980s. Just as in its heyday IBM set industry standards, dominated markets and instilled "fear, uncertainty and doubt" into competitors, so today Microsoft can call the shots in the PC industry.

Ironically, such comparisons have taken on a new dimension. Just as IBM battled through 13 years of Justice Department anti-trust investigation, from 1969 to 1982, so "Big Green", as Microsoft is nicknamed in the computer industry, now faces similar scrutiny.

Although the Justice Department ultimately dropped its anti-trust case against IBM, the investigation had a serious impact which many analysts believe contributed to its inability to keep pace with changes in the market and to its current problems.

The government collected 760m documents from IBM during its 13-year anti-trust investigation. "IBM's top executives were afraid to put anything down on paper for fear the government would subpoena the document. Lawyers, who were developing a stranglehold on the business, decided what could be said at meetings," says Mr Paul Carroll in Big Blues, The Unmaking of IBM, to be published next month.

Microsoft faces a period of intense scrutiny that seems certain to consume the attention of its senior management. The anti-trust investigation could prove to be a serious distraction for a company reknowned for its tight focus.

Nothing would please Microsoft's competitors more.

"I've developed a view that being successful is not a fun thing sometimes," Mr Bill Gates, chairman and chief executive, said recently. "There is just a phenomenon where people don't like a company as successful as ours."

# Former Algerian PM shot dead

MOSLEM fundamentalist gunmen have shot dead Mr Kasdi Merbah, the former Algerian prime minister and military security chief, in an ambush on his car, the official APS news agency reported, Reuter writes from Algiers.

Mr Merbah, the first Algerian opposition leader to be assassinated by the gunmen in their campaign of violence against the state, was killed in the centre of the coastal resort of Bordj el-Bahri late on Saturday when returning from the beach.

The attack, the most serious on a senior politician since the June 1992 assassination of the head of state, Mr Mohamed Boudiaf, coincided with the sacking of Mr Abdesselam Belaid, the prime minister, and his replacement by Mr Redha Malek, the foreign minister

Diplomats said it was clearly the failure of Mr Belaid's economic austerity policies which led to his dismissal. Political parties, trade unions and business leaders had all condemned his policies.

Mr Merbah, head of the Algerian Movement for Justice and Development, was the only member of the opposition to have publicly urged Moslem militants to lay down their weapons. He published the call in an open letter on July 13.

Algiers radio said his son, brother, a driver and a bodyguard were also killed in the carefully planned attack on two cars carrying them all.

APS blamed the killing on five "terrorists", the official term for the militants who launched their campaign of violence in earnest last year after Algeria's army-backed leadership scrapped a general election which the now-banned Islamic Salvation Front was poised to win.

Mr Merbah, who played an active part in the 1965 coup that brought Socialist leader Houari Boumedienne to power, was head of Algeria's military security for 17 years.

He was appointed prime minister in November 1988 after riots but was sacked in 1989. In a row that followed, he quit the ruling National Liberation Front and set up his own party in opposition.

Reuter

LEFTIST gunmen holding hostage Nicaragua's vice-president and a score of other political leaders yesterday seized a group of journalists covering the stand-off, local radio reports said, Reuter reports from Managua.

"The party is over, this is not a picnic," said the gunmen's leader, identifying himself as Commando 31 (pictured in negotiations at the weekend with former president Daniel Ortega). "We are going to harden our positions."

The gunmen, leftist sympathisers of the former ruling Sandinista party, took hostage Vice-President Virgilio Godoy and other National Opposition Union leaders on Friday night in response to an earlier kidnapping of government officials and Sandinista politicians by a group of Contra guerrillas in northern Nicaragua.

Commando 31 said yesterday after releasing 14 of about 35 hostages that no more would be freed until the Contras reciprocated. The Contras ruled out talks.

# Abiola cancels plans for return to Nigeria

By Paul Adams and Leslie Crawford in Lagos

CHIEF Moshood Abiola, the winner of Nigeria's annulled presidential elections who fled the country three weeks ago in fear for his life, has cancelled plans to return to Lagos today in an attempt to claim the presidency.

"I have been advised by my supporters to stay away," Chief Abiola said in London last night. "My return at this time would only compound problems. When the bad wind is blowing the only sensible thing to do is to bow one's head and let it pass."

With General Ibrahim Babangida, Nigeria's military ruler, due to relinquish power on August 27, Chief Abiola's decision to stay in London may deliver a fatal blow to his ambitions of becoming the country's next leader.

Gen Babangida, who annulled the June 12 presidential poll, is expected to go ahead with plans to install an interim civilian administration, whose composition and leadership are not yet known.

Given Gen Babangida's reluctance to name his successor, August 27 is becoming increasingly irrelevant. Many Nigerians also believe the interim civilian government will merely be a front for military rule.

Only last week Chief Abiola was planning a triumphant return on August 24, his 56th birthday. The wealthy businessman said his change of heart did not make him an exile. "I will be returning to Nigeria very soon, and by the grace of God I will be heading my government on August 27, which will be recognised as Nigeria's legitimate government."

However, four days from the scheduled transition to democracy, the only certainty is that Nigeria's next government will not be democratic. Chief Abiola is taking refuge in Europe and the civilian politicians in Nigeria are too compromised or fragmented to mount nationwide opposition.

The choice of the proposed interim government lies with the armed forces, and they have yet to close the deal. Gen Babangida's speech to the national assembly last week shows that a faction of the military regime is not ready to give up power.

But there is dissent within the armed forces, some of whom want to limit the damage which the instability of recent months has done to their reputation.

The sense that Nigeria has no government has affected both the economy and society. The only commodity in demand is hard currency. The battered naira is now trading at N39 to the dollar on the black market. It has lost 20 per cent of its value since the June 12 election.

Consumption has fallen sharply and industrial output has slowed to a crawl.

The labour movement and pro-democracy groups have called their members out on strike if the military does not relinquish power on August 27. Minority ethnic groups, anticipating trouble, are leaving the cities for their homelands.

# Small companies' foreign investment backed by UN

By Frances Williams in Geneva

ALTHOUGH foreign direct investment by small and medium-sized enterprises (SMEs) remains relatively small in dollar terms, it can bring considerable benefits to developing countries, according to a UN study published today.

The UN Conference on Trade and Development says SMEs, rather than big multinationals, tend to transfer technology more suitable for small-scale or labour-intensive operations. Their investment can bring significant balance of payments gains.

However, more than 80 per cent of foreign direct investment by smaller companies goes to industrialised countries, with south and east Asia and Latin America taking the bulk of investment in developing countries. Unctad researchers think SMEs may account for about 10 per cent of the total worldwide flow of foreign direct investment, worth about $150bn (£100bn) in 1992, although they make up perhaps half the world's 37,000 transnationals.

The report, prepared for an international conference in Osaka next month on foreign direct investment and the role of SMEs, draws on a survey of 735 SMEs, defined as employing fewer than 500 people in the home market. The study identifies the main incentives for SMEs to locate overseas as growth prospects in the local foreign market, improved competitiveness (including use of cheaper labour) and increased exports. More than 90 per cent of multinational SMEs are exporters.

The most important obstacle to such investment is inadequate information about international business opportunities, the survey shows.

But SMEs are also put off by the perceived difficulties and risks of operating in the third world. The single most important action by governments to attract more foreign direct investment is to establish a stable macroeconomic environment, Unctad says. Developing countries should also ensure SMEs take advantage of investment incentives.

Even where financial assistance programmes exist, most SMEs raise investment finance privately, the report says.

This is due partly to ignorance, partly to fear of bureaucratic entanglement and partly to the wish of many SMEs to own their foreign affiliates wholly, while government assistance tends to favour joint ventures and other forms of partnership.

*Small and medium-sized transnational corporations: role, impact and policy implications. Available from United Nations sales section, Palais des Nations, 1211 Geneva 10, Switzerland. Tel 41 22 917 2615, fax 41 22 917 0027. $35*



# PLO veteran in Arafat protest

By Julian Ozanne in Jerusalem

THE simmering leadership crisis inside the Palestine Liberation Organisation grew yesterday as a veteran official withdrew from the PLO's executive.

Mr Shafiq al-Hoot, the PLO's representative to Lebanon, is the second executive committee member in less than a week to protest publicly against what they say is the authoritarian leadership of Mr Yasser Arafat, PLO chairman. They also point to the way Mr Arafat is managing peace talks with Israel and the financial crunch within the PLO.

Mr Hoot stopped short of resigning his post but said he would have nothing to do with the executive committee until the convening of the Palestine National Council, the Palestinian parliament-in-exile.

He said he could no longer stand by and witness the PLO's "destruction, the liquidation of its institutions and the scaring away of its workers". He said Mr Arafat was making decisions about peace talks with Israel without consulting the executive committee and had ignored "red lines" laid down by the PNC in 1991.

Although Mr Hoot did not give any specific details of policy disagreements there is growing suspicion amongPalestinians that Mr Arafat is prepared to make concessions to Israel over control of Israeli-occupied Arab East Jerusalem.

The latest challenge to Mr Arafat comes amiddemands for democratisation of the PLO and greater consultation about how best to pursue peace talks with Israel.

# Brazil shocked by scale of massacre

By Christina Lamb in Rio de Janeiro

BRAZIL's National Security Council is to hold an emergency meeting today to discuss protection of indigenous people after the official death toll for a recent massacre of Yanomami Indians climbed to 73.

An investigation by the National Indian Agency and federal police found 15 men, 20 women and 38 children from the world's oldest surviving tribe had been slaughtered by machete- and gun-wielding gold miners in northern Amazon – far more than the 17 originally thought.

"The only word for this is genocide," said a shocked Mr Aristides Junqueira, attorney general, after visiting the bone-littered site of the massacre. Discarding doubts over the high numbers of victims, he added "there is no way that the number is being exaggerated... what I saw there was a scene of war".

Mr Mauricio Correa, justice minister, yesterday rejected federal intervention in the area but admitted fears of further bloodshed between the miners and Indians.

Under the 1988 Constitution Brazil guaranteed the protection of its estimated 250,000 remaining indigenous people through demarcation of reserves. Two years ago a reserve the size of Portugal was created for the 10,000 surviving Yanomamis and 25,000 miners expelled from the area. But the reserve lies on one of the world's richest mineral deposits and local politicians, business and military are lobbying to overturn the decree.

# S Korea bargains hard to take the fast train

## John Burton in Seoul reports that GEC Alsthom is leading the field in the keystone Asian market

THE South Koreans proved they can drive a hard bargain when they selected the Train à Grande Vitesse (TGV) as the preferred choice for the country's new high-speed train.

GEC Alsthom, the manufacturer of the TGV, was forced to cut its initial bid by 35 per cent to $2.4bn in order to defeat Siemens, with its newer and more technologically advanced Intercity Express, and Mitsubishi's *Shinkansen for the prestigious* contract.

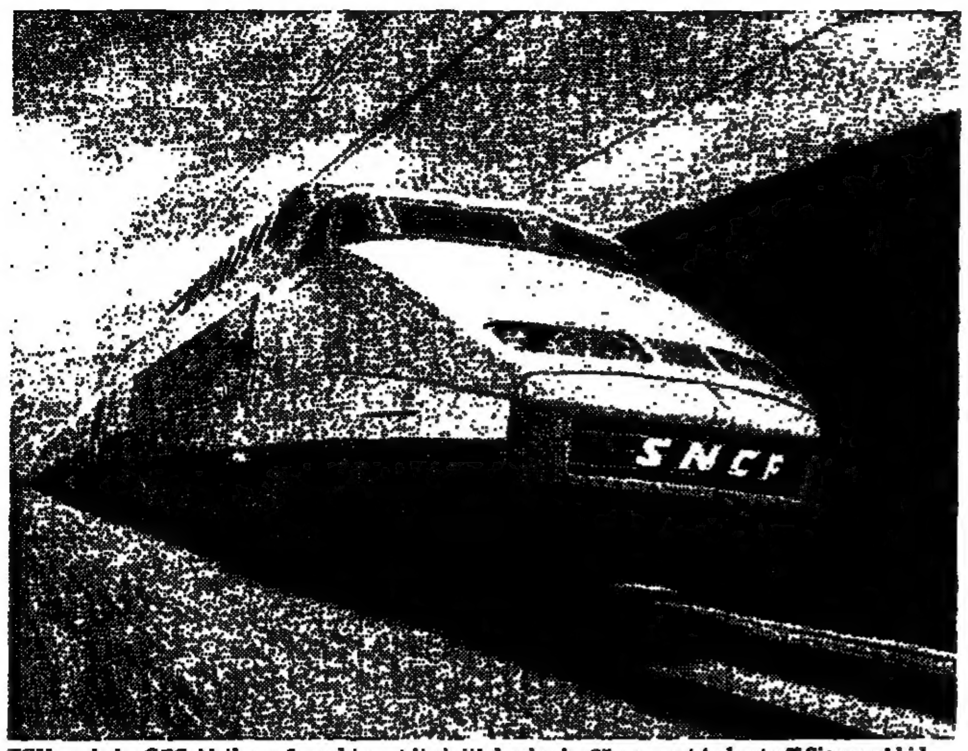
Seoul knew it was in a strong position in demanding significant concessions from the competing bidders.

The high-speed rail system, which will go into full operation in 2002 along the 420km *route from Seoul to Pusan and* cut travel time to 100 minutes from about four hours, is the first such network on the Asian mainland.

Consequently, the company that won the contract would improve its chances of gaining more business in Asia and elsewhere.

"The Korean order is important because it will influence the selection of contractors for *the proposed high-speed train* projects in Taiwan and Canada," said Mr Ambroise Cariou, director of GEC-Alsthom's Seoul office.

In the longer term, China may also decide to build a high-speed rail network, while South Korea is likely to extend its system to North Korea and possibly China and Russia if Korean unification becomes reality.



TGV made by GEC Alsthom; forced to cut its initial price by 35 per cent to beat off Siemens' bid

*It was the promise of more* orders accruing from the South Korean one that goaded France to launch an aggressive diplomatic campaign to support GEC Alsthom's bid.

Several French officials, including Mrs Edith Cresson, the former prime minister, and Mr Alain Juppé, the foreign minister, came to Seoul to lobby, and President François Mitterrand is scheduled to *arrive in South Korea next* month.

When former South Korean President Roh Tae-woo visited France in 1991, a special trip on the TGV was arranged for him. The time and energy that the French devoted to winning the contract impressed the South Koreans.

But Seoul will continue to put pressure on GEC Alsthom for more concessions as the *company enters final contract* negotiations with the Ministry of Transportation.

Officially, GEC Alsthom has only been awarded priority in negotiating the contract, the implicit threat being that the government could switch its order to Siemens if GEC Alsthom fails to meet Korean demands on price and technology transfers. That is unlikely to happen, however, as GEC Alsthom appears to be accommodating Korean requests.

Half of the TGV contract will be distributed to domestic subcontractors, which will assemble *44 of the trainsets in South* Korea by 2001, while GEC Alsthom will completely build and supply the first two prototype units by 1997.

Hyundai Precision and Industry, Daewoo Heavy Industry and Hanjin Heavy Industries, which make both rail and subway *rolling stock*, have formed a consortium to participate in the rail project as subcontractors. The contract also includes a signalling system, valued at Won400bn ($507m). Potential subcontractors include Samsung Electronic, Hyundai Electronic and Goldstar Industrial Systems.

The high-speed rail project has been plagued by cost overruns and political controversy, which delayed the selection of a contractor for the trains although construction on the first track segment began last year.

The government recently almost doubled the projected cost of the rail project to Won10,700bn from the 1989 estimate of Won5,840bn because of increases in wages, material and additional construction work.

It also extended the deadline for construction work, which will total Won6,700bn, by three years to 2001. Construction planning is being conducted by Bechtel International of the US and Korea Power Engineering.

The initial segment between Chonan and Taejon in central Korea is being built by 12 Korean companies, including Halla Construction, Ilsung Construction and Hyundai Engineering and Construction, and will be *completed by 1997*. The rail line will be extended to Seoul in 1999 and Pusan in 2001.

As the costs of the project increased, the government demanded that the train suppliers substantially reduce their bid offers.

GEC Alsthom cut its bid *from the initial offer of $3.7bn* made in May 1992 to $2.4bn last month. The reduction mainly reflected changes in the exchange rate between the French franc and the US dollar

**Seoul will put pressure on GEC Alsthom for more concessions as the company enters final contract negotiations**

during this period, according to Mr Cariou. But it also had to trim $230m this summer as it engaged in a last-minute bidding war with Siemens.

The tougher financial requirements forced Mitsubishi of Japan, which was offering the Shinkansen, to drop out of the competition in June.

The project was criticised during last year's presidential election, when the opposition accused the government of President Roh Tae-woo of using the rail programme to reward business supporters with contracts.

*Mr Kim Young-sam*, then the presidential candidate of the ruling party, persuaded the government to delay selection of the train contractor until his administration took office to reduce suspicions that bribery and kickbacks might be involved.

The new *president, who* initially appeared cool to the rail project, is now eagerly promoting it as a means to stimulate the sluggish economy.

The government predicts the project could boost economic growth by Won15,300bn and create almost 900,000 jobs.

*Few doubt* that South Korean needs a high-speed rail system to relieve traffic congestion, particularly between Seoul and Pusan, the most heavily travelled route in the country.

The south-eastern city of Pusan is the country's biggest port and second largest urban area.

If the new train system carries 520,000 passengers a day, it would remove 33,000 cars and 8,000 buses from the Seoul-Pusan motorway, which now supports double the traffic levels of its planned capacity of 48,000 vehicles.

It could also reduce population pressure in Seoul by encouraging people to move to Chonan and Taejon, which will be within half an hour's commuting distance of the capital.

# Gunman kills 12 in S African factory

A MAN with an AK-47 assault *rifle* opened fire at a factory outside Johannesburg yesterday killing 12 people and wounding 21 as they planned a funeral, police and witnesses said, AP reports from *Germiston*, South Africa.

The victims were from the Tsomo Burial Society, which represents people of the Tsomo district of the Transkei black homeland, Mr Welcome Mtwazi, a close witness, said. The society arranges the transport back to Transkei of Tsomo residents who have died in the Germiston area.

In a separate incident, three *blacks* were killed in a clash between rival groups near the Phola Park squatter camp south-east of Johannesburg, police said.

## Saudi council established

Saudi Arabia's King Fahd has appointed 60 citizens to a consultative council, which has no real power but offers an unprecedented forum for public debate in the oil-rich kingdom, AP reports from Riyadh.

The council, known as the Majlis al-Shura, is seen as an important step toward broadening the government's base by giving the country's 12m people a formal role in the political process for the first time. But King Fahd's royal decree, read over state televi*sion late Friday, made* clear the king was not diminishing his absolute powers.

## Brazilian steel group auctioned

Cosipa, the Brazilian steel company, has been sold for $331m (£222m), twice the minimum asking price, at a privatisation auction, Bill Hinchberger writes from São Paulo.

Brazil's last state-owned steel company, Acominas, is to go on the block on Wednesday.

The winning bid was made by a consortium dominated by downstream users of Cosipa steel, led by Brastubo.

## Iranian import rules reversed

Mr Mohammed Adeli, Iran's central bank chief, has reversed two pieces of recent legislation in order to ease imports, Parichehre Mostesbar reports from Tehran. The move comes as Iran faces a credit repayment backlog and despite a continuing shortage of foreign currency and growing dependence on imported goods.

### Chinese wonder what will follow leader's demise

# Is there life after Deng?

By Tony Walker in Beijing

CHINA'S ailing paramount leader, Mr Deng Xiaoping, celebrated his 89th birthday yesterday – out of sight but not out mind for millions of Chinese who fear his departure from the scene may usher in instability.

While few newspapers referred to his birthday, most *continued serialising a lengthy* book about his early life by his daughter, entitled My Father, Deng Xiaoping. Publishing houses are also churning out millions of copies of earnest works about his contribution to the country, including a mammoth tome detailing his thoughts on "building socialism with Chinese characteristics".

People's Daily reported that no fewer than 56 books about Mr Deng's life and times have been published or are in the works. As the end draws near for China's supreme leader, his associates are ensuring the historical record is complete.

Chinese newspapers gave front-page prominence to the exploits of Mr Jiang Zemin, the Communist party boss, who has himself in recent months commanded enormous media space, as if party propagandists have heightened preparations for a transition from one gener*ation of leaders to the next*.

Mr Deng's advancing years, the continuing absence of Mr Li Peng, the prime minister, from active duty with a heart condition, and doubts about the ability of a collective leadership to impose discipline on the party and the country in the post-Deng era are adding to nervousness about the future.

Among indications of concern about life after Deng is the fact that rumours about his deteriorating health, and even death, regularly sweep larger Chinese cities, where speculation about the future is intense among the urban élite. Beijing was awash with reports over the weekend that China's supreme leader had died.

Mr Deng was last seen in public in January in Shanghai. He has made few appearances in recent years and on each occasion has been frailer.

Chinese officials and members of his family continue to *insist that China's patriarch is* in good health and spirits; however, but Mr Deng, a keen swimmer, did not take his customary trip this summer to Beidaihe, a beach resort on the coast east of Beijing.

Worries about his deteriorating health, and uncertainty about the leadership chosen to succeed him, coincide with an uncertain phase in the country's economic reforms. Efforts to bring the runaway economy under control are exposing many problems, including corruption among officials.

# Calls to delay Togo poll brushed aside

THE president of Togo's electoral commission told foreign observers yesterday that presidential elections had to go ahead on Wednesday, Reuter reports from Lomé.

The date of August 25 was "unalterable", Mr Gaba Sipohon Koue *told* election observers.

Incumbent President Gnassingbe Eyadema said earlier, at an election rally in *the south of Togo, that he had no inten*tion of changing the election date.

The four opposition nominees on the electoral commission have suspended their participation, but the four nominated by President Eyadema's party and the president still form a working majority. Mr Koue's remarks were an apparent climbdown from the committee's request on Saturday to have the vote postponed by four days.

The opposition members of the committee withdrew after two main opposition candidates stopped campaigning, saying they wanted the vote put off to give time for electoral lists to be revised and new voting cards issued.

# Sharp drop in growth for Mexican GDP

By Damian Fraser in Mexico City

MEXICO's gross domestic product grew by just 0.3 per cent in the second quarter, the smallest such increase since President Carlos Salinas took office in December 1988.

The growth was much slower than expected, and well below the first quarter increase of 2.4 per cent. The poor performance makes it almost certain that *economic growth for* the year will fall significantly short of the government's target of 2.7 per cent.

"The situation is much more acute than we expected," says Mr Rogelio Ramirez de la O, head of the economic consultancy Ecanal.

"This could lead to a whole reassessment of economic policy, with an increase in government spending likely."

The government's budget surplus, high real interest rates of around 8 per cent, and continued real appreciation of the exchange rate helped to squeeze domestic demand and industry in the second quarter.

The austere economic policy has been attacked by many in the private and labour sector, and some members of Mexico's governing party are nervous that it might hurt their chances in next year's presidential election.

For the first half, overall growth was 1.3 per cent. The industrial sector gained 1.2 per cent, *thanks mainly to a 5.2 per cent* increase in construction. Manufacturing grew by just 0.3 per cent. The agricultural sector shrank by 1.5 per cent, and services *climbed by 1.9 per cent*.

The low growth helped improve trade balance in the first half of the year to $6.9bn, 5.9 per cent less than the first half last year.

Exports climbed to $24.8bn, 11.9 per cent more than the first half last year, while imports reached $31.7bn, an increase of 7.4 per cent.

The deficit in June was $1.185bn, 17 per cent less than in the same month last year. While it came at a cost of low economic growth, the steady reduction in the trade *deficit* has eased pressure on the Mexican peso, which is well within its permitted band of flotation against the US dollar.

# US follows the EC towards discrimination

MR MICKEY KANTOR, US trade representative, has hailed the controversial side-agreements to the North American Free Trade Agreement, announced earlier this month, as "historic". He was right to do so. The revised agreement covers economies that contain 370m people and generate output worth $6,500bn (£4,360bn). Its inclusion of workers' "rights" and the environment marks an important precedent. As significantly, US acceptance *marks a further jump towards* discriminatory trade policies.

The US is a latecomer to use of discrimination as a positive tool in trade policy. The latest Gatt report on EC trade policy* shows who has been the leader.

EC discrimination starts with community preference, the central element in its trade policy. As the chart shows, between *1961 and 1991 the 13 current members of* the EC increased their exports to one another from 43 per cent of total exports to 62 per cent. In the 1980s, the divergence between the increase in trade within the EC and that with the rest of the world became particularly marked. Meanwhile, the share of intra-EC trade in world exports rose from 15 per cent in 1961 to 24 per cent in 1991. Over the same period, the share of EC exports to third markets in world exports fell from 20 to 15 per cent.

Gatt's first article calls for non-discriminatory treatment, with all members supposed to benefit from "most-favoured nation" (MFN) tariffs. In fact, the EC offers strict MFN treatment only to the US, Japan, Canada, *Australia and New* Zealand. The economic weight of these five countries and limits on the coverage of EC preferential schemes ensure that 60 per cent of EC external imports do receive mfn tariff treatment. Nevertheless, EC trade policy is riddled with preferences.

In 1991, for example, preferentially treated imports from members of the Eur*opean Free Trade Association accounted for* 22.4 per cent of EC external imports; from Mediterranean countries, they accounted for 7.1 per cent of its imports; from Lomé member countries, they accounted for 3.9 per cent; and from other developing countries under the generalised system of preferences, they accounted for 6.2 per cent. Recently completed agreements with eastern European countries must be added to the list. The EC sits at the centre of a spider's web of discrimination, discriminating itself and a source of discrimination in others.

How far is the US going to follow the EC down this road? If it does go much further, will other leading economic powers – Japan, for example – follow? Most important of all, does a worldwide embrace of discrimination make sense?

The main motivation for preferences is political, rather than economic. It is a questionable policy, however, because every country benefited by a preference is matched by another which is hurt. But there is also an economic dimension. *Economists ask of preferential trade* agreements whether they create trade or divert it. Another way of making the distinction is to ask whether preferences are a way of meeting the global competition or of running away from it.

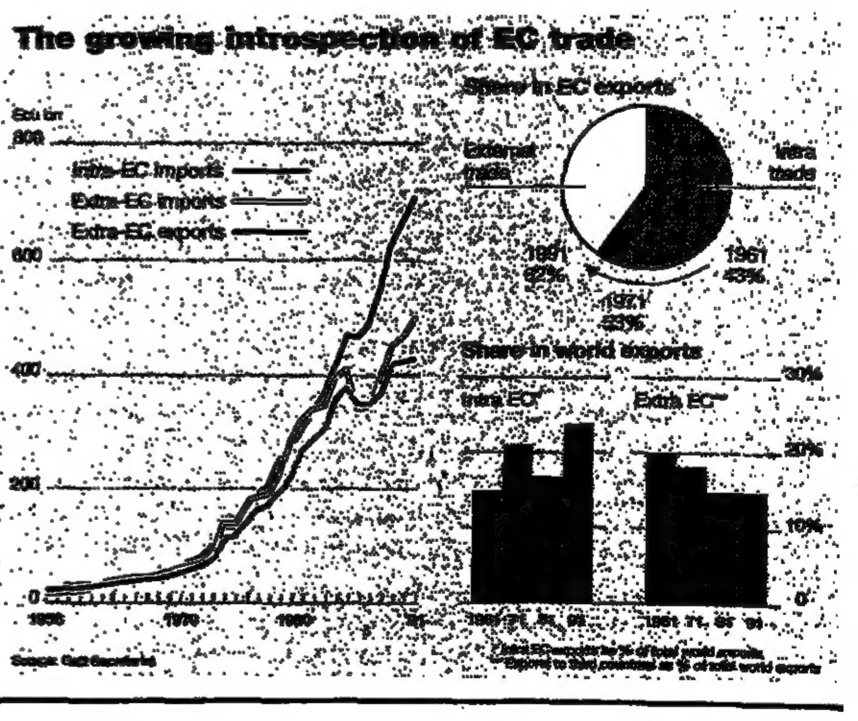
Judged by their trade and economic performance, EC members are too often taking in one another's high-cost washing, while failing to sustain their global competitiveness. The same may also happen to the US. Countries that would rather trade preferentially than meet global competition may compound their economic faults thereby, rather than remedy them.

Mr Kantor sees no such dilemma. He claims of Nafta that "the growth that will come from creating such a large market enhances our ability to compete with Japan and the European Community". This ignores the possibility that participation in a protected North American market will reduce, not enhance, US ability to compete globally. Mr Kantor might do better to recall the fundamental insight of the Gatt's founders: the largest of all possible markets is the world market.

**Martin Wolf**

**Trade Policy Review Mechanism: European Communities, report by the Gatt Secretariat, April 19 1993, C/RM/S/36A.*

**The growing introspection of EC trade**




INTERNATIONAL ECONOMIC INDICATORS: **BALANCE OF PAYMENTS**

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

**UNITED STATES**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 279.8 | −174.2 | −159.7 | 0.7623 | 100.0 |
| 1986 | 230.9 | −140.6 | −152.7 | 0.9836 | 80.2 |
| 1987 | 220.2 | −131.8 | −145.0 | 1.1541 | 70.3 |
| 1988 | 272.5 | −100.2 | −107.5 | 1.1833 | 66.0 |
| 1989 | 330.2 | −99.3 | −92.2 | 1.1017 | 69.4 |
| 1990 | 309.0 | −79.3 | −72.1 | 1.2745 | 65.1 |
| 1991 | 340.5 | −53.5 | −6.7 | 1.2391 | 64.5 |
| 1992 | 345.8 | −64.1 | −51.2 | 1.2857 | 62.9 |
| 2nd qtr.1992 | 86.8 | −18.9 | −14.4 | 1.2717 | 63.6 |
| 3rd qtr.1992 | 80.6 | −17.7 | −12.9 | 1.3831 | 60.1 |
| 4th qtr.1992 | 91.5 | −17.4 | −18.7 | 1.2658 | 64.2 |
| 1st qtr.1993 | 95.1 | −21.8 | −17.5 | 1.1920 | 66.4 |
| 2nd qtr.1993 | 95.3 | −25.4 | | 1.2089 | 64.3 |
| June 1992 | 29.2 | −5.3 | n.a. | 1.3039 | 62.3 |
| July | 27.3 | −5.5 | n.a. | 1.3693 | 60.5 |
| August | 25.9 | −6.2 | n.a. | 1.4014 | 59.8 |
| September | 27.3 | −6.0 | n.a. | 1.3786 | 60.2 |
| October | 29.4 | −5.5 | n.a. | 1.3210 | 62.1 |
| November | 30.5 | −6.3 | n.a. | 1.2372 | 65.1 |
| December | 31.6 | −5.6 | n.a. | 1.2391 | 65.3 |
| January 1993 | 30.9 | −6.3 | n.a. | 1.2132 | 66.4 |
| February | 31.2 | −6.7 | n.a. | 1.1839 | 68.7 |
| March | 33.0 | −8.9 | n.a. | 1.1789 | 68.2 |
| April | 31.5 | −8.3 | n.a. | 1.2214 | 64.3 |
| May | 32.0 | −6.9 | n.a. | 1.2161 | 63.9 |
| June | 31.8 | −10.2 | n.a. | 1.1833 | 64.5 |
| July | | | | 1.1349 | 65.9 |

**JAPAN**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 230.8 | 78.0 | 64.5 | 180.50 | 100.0 |
| 1986 | 211.1 | 96.2 | 96.9 | 165.11 | 124.4 |
| 1987 | 197.3 | 96.1 | 75.5 | 166.58 | 133.2 |
| 1988 | 219.8 | 80.7 | 86.6 | 151.51 | 147.3 |
| 1989 | 245.3 | 70.5 | 52.4 | 151.87 | 141.9 |
| 1990 | 220.0 | 50.1 | 28.3 | 183.94 | 126.0 |
| 1991 | 247.4 | 83.1 | 62.9 | 166.44 | 137.0 |
| 1992 | 254.8 | 101.8 | 89.8 | 164.05 | 142.9 |
| 2nd qtr.1992 | 63.9 | 28.1 | 23.1 | 165.60 | 139.9 |
| 3rd qtr.1992 | 61.5 | 23.7 | 20.1 | 172.79 | 139.6 |
| 4th qtr.1992 | 65.2 | 26.9 | 24.8 | 155.57 | 149.7 |
| 1st qtr.1993 | 72.3 | 29.7 | 30.1 | 144.38 | 158.5 |
| 2nd qtr.1993 | 73.4 | 28.0 | 26.3 | 132.76 | 172.4 |
| June 1992 | 21.3 | 8.3 | 6.3 | 165.32 | 141.7 |
| July | 20.5 | 8.1 | 6.9 | 172.22 | 139.2 |
| August | 19.9 | 7.4 | 5.9 | 177.11 | 137.0 |
| September | 21.1 | 8.2 | 7.2 | 169.05 | 142.5 |
| October | 21.3 | 8.9 | 7.7 | 159.83 | 148.2 |
| November | 22.1 | 9.1 | 9.3 | 153.22 | 150.3 |
| December | 21.7 | 8.8 | 7.6 | 153.57 | 150.7 |
| January 1993 | 22.8 | 8.8 | 7.3 | 151.67 | 151.3 |
| February | 23.9 | 10.3 | 9.3 | 142.87 | 159.2 |
| March | 25.5 | 10.6 | 13.6 | 136.61 | 164.4 |
| April | 24.6 | 9.9 | 9.6 | 137.17 | 167.8 |
| May | 23.5 | 10.1 | 9.1 | 134.15 | 171.0 |
| June | 25.4 | 8.9 | 7.6 | 126.97 | 178.2 |
| July | | | | 122.24 | 181.1 |

**GERMANY**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 242.8 | 33.4 | 21.7 | 2.2260 | 100.0 |
| 1986 | 248.6 | 53.4 | 40.3 | 2.1279 | 108.8 |
| 1987 | 254.3 | 56.8 | 39.8 | 2.0710 | 115.3 |
| 1988 | 272.6 | 61.6 | 42.9 | 2.0739 | 114.6 |
| 1989 | 310.2 | 65.3 | 52.3 | 2.0681 | 113.5 |
| 1990 | 323.9 | 51.8 | 37.2 | 2.0537 | 119.1 |
| 1991 | 327.4 | 11.2 | −16.2 | 2.0480 | 117.7 |
| 1992 | 330.3 | 17.0 | −19.5 | 2.0187 | 121.2 |
| 2nd qtr.1992 | 81.1 | 3.8 | −5.0 | 2.0511 | 118.7 |
| 3rd qtr.1992 | 83.9 | 6.4 | −6.3 | 2.0221 | 122.1 |
| 4th qtr.1992 | 82.1 | 3.5 | −4.1 | 1.9593 | 125.0 |
| 1st qtr.1993 | | 4.4 | −4.8 | 1.9476 | 125.6 |
| 2nd qtr.1993 | | | | 1.9530 | 124.0 |
| June 1992 | 25.1 | 0.6 | −2.1 | 2.0498 | 119.1 |
| July | 28.3 | 1.0 | −3.8 | 2.0410 | 120.7 |
| August | 27.7 | 3.1 | −0.7 | 2.0326 | 122.0 |
| September | 27.8 | 2.3 | −1.7 | 1.9927 | 123.6 |
| October | 28.6 | 2.5 | −1.3 | 1.9564 | 125.7 |
| November | 26.8 | 0.9 | −0.3 | 1.9634 | 124.0 |
| December | 26.7 | 0.1 | −2.5 | 1.9581 | 125.3 |
| January 1993 | 25.4 | 1.3 | −2.7 | 1.9592 | 125.3 |
| February | 26.9 | 1.5 | −1.9 | 1.9437 | 125.8 |
| March | | 1.6 | −0.2 | 1.9399 | 125.7 |
| April | | 1.8 | −2.3 | 1.9483 | 125.5 |
| May | | | −0.8 | 1.9548 | 124.1 |
| June | | | | 1.9559 | 122.6 |
| July | | | | 1.9483 | 122.0 |

**FRANCE**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 133.4 | −3.6 | −0.2 | 6.7942 | 100.0 |
| 1986 | 127.1 | 0.0 | 3.0 | 6.7946 | 102.8 |
| 1987 | 128.3 | −4.6 | −3.7 | 6.9265 | 103.0 |
| 1988 | 141.9 | −3.9 | −3.4 | 7.0354 | 100.8 |
| 1989 | 162.9 | −6.3 | −3.6 | 7.0169 | 99.8 |
| 1990 | 170.1 | −7.2 | −7.2 | 6.9202 | 104.8 |
| 1991 | 175.4 | −4.2 | −4.9 | 6.9643 | 102.7 |
| 1992 | 182.5 | 4.4 | 2.8 | 6.8420 | 106.0 |
| 2nd qtr.1992 | 46.2 | 1.5 | 1.2 | 6.9122 | 104.4 |
| 3rd qtr.1992 | 45.2 | 0.9 | −0.1 | 6.8538 | 106.6 |
| 4th qtr.1992 | 45.7 | 1.1 | 2.6 | 6.8529 | 109.3 |
| 1st qtr.1993 | 42.7 | 2.5 | 1.24 | 6.6067 | 110.0 |
| 2nd qtr.1993 | | | | 6.6116 | 109.7 |
| June 1992 | 15.4 | −0.16 | −0.49 | 6.9001 | 104.9 |
| July | 15.5 | 0.87 | −0.21 | 6.8872 | 106.0 |
| August | 14.2 | −0.45 | 0.19 | 6.8944 | 106.3 |
| September | 15.6 | 0.49 | −0.06 | 6.7792 | 107.6 |
| October | 15.1 | 0.11 | 0.73 | 6.6388 | 110.0 |
| November | 15.1 | 0.05 | 0.23 | 6.6426 | 109.0 |
| December | 15.4 | 0.93 | 1.60 | 6.6793 | 108.9 |
| January 1993 | 13.8 | 0.57 | 0.85 | 6.6437 | 109.7 |
| February | 14.6 | 0.83 | 0.58 | 6.5846 | 110.3 |
| March | 14.2 | 1.13 | −0.21 | 6.5919 | 109.9 |
| April | 13.9 | 1.16 | | 6.5875 | 110.5 |
| May | | | | 6.6836 | 109.8 |
| June | | | | 6.5942 | 108.9 |
| July | | | | 6.6289 | 107.0 |

**ITALY**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 103.7 | −16.0 | −5.4 | 1443.0 | 100.0 |
| 1986 | 99.4 | −2.5 | −1.4 | 1461.8 | 101.4 |
| 1987 | 100.7 | −7.5 | −2.1 | 1494.3 | 101.2 |
| 1988 | 108.3 | −8.9 | −8.0 | 1536.8 | 97.8 |
| 1989 | 127.8 | −11.3 | −17.0 | 1509.2 | 98.6 |
| 1990 | 133.6 | −8.3 | −18.0 | 1523.2 | 100.6 |
| 1991 | 137.0 | −10.5 | −28.9 | 1531.3 | 98.9 |
| 1992 | 137.9 | −8.0 | −20.8 | 1591.5 | 95.7 |
| 2nd qtr.1992 | 35.8 | −3.6 | −4.5 | 1546.3 | 95.5 |
| 3rd qtr.1992 | 32.9 | 0.5 | −4.9 | 1564.6 | 96.2 |
| 4th qtr.1992 | 34.9 | 0.0 | −3.8 | 1719.4 | 87.1 |
| 1st qtr.1993 | | | −4.9 | 1839.8 | 80.5 |
| 2nd qtr.1993 | | | | 1814.2 | 81.2 |
| June 1992 | 12.7 | −0.5 | −0.8 | 1550.3 | 98.5 |
| July | 13.9 | 0.8 | −1.1 | 1546.2 | 98.5 |
| August | 7.7 | 1.1 | −0.7 | 1543.4 | 100.1 |
| September | 11.3 | −1.4 | −3.1 | 1604.1 | 95.0 |
| October | 12.4 | 0.1 | −1.0 | 1723.8 | 87.3 |
| November | 10.8 | −1.2 | −2.4 | 1687.0 | 88.7 |
| December | 11.6 | 1.1 | −0.4 | 1747.5 | 85.6 |
| January 1993 | 9.6 | 0.4 | −3.1 | 1809.3 | 82.5 |
| February | | | 0.6 | 1833.6 | 80.8 |
| March | | | −2.4 | 1876.4 | 78.5 |
| April | | | −2.9 | 1871.4 | 79.0 |
| May | | | −2.7 | 1793.2 | 82.2 |
| June | | | | 1778.0 | 82.5 |
| July | | | | 1796.8 | 80.8 |

**UNITED KINGDOM**

| | Exports | Visible trade balance | Current account balance | Ecu exchange rate | Effective exchange rate |
|---|---|---|---|---|---|
| 1985 | 132.4 | −5.7 | 4.7 | 0.5890 | 100.0 |
| 1986 | 108.3 | −14.2 | 0.1 | 0.6708 | 91.6 |
| 1987 | 112.3 | −16.4 | −6.4 | 0.7047 | 90.1 |
| 1988 | 120.9 | −32.3 | −24.4 | 0.6643 | 95.5 |
| 1989 | 137.0 | −36.7 | −32.3 | 0.6728 | 92.8 |
| 1990 | 142.3 | −26.3 | −23.8 | 0.7150 | 91.3 |
| 1991 | 147.7 | −14.7 | −9.1 | 0.7002 | 91.7 |
| 1992 | 145.1 | −18.7 | −16.2 | 0.7359 | 88.4 |
| 2nd qtr.1992 | 37.8 | −4.4 | −4.6 | 0.7034 | 92.3 |
| 3rd qtr.1992 | 36.4 | −4.5 | −3.1 | 0.7261 | 90.9 |
| 4th qtr.1992 | 34.5 | −5.4 | −4.4 | 0.8015 | 79.8 |
| 1st qtr.1993 | | | | 0.8017 | 78.5 |
| 2nd qtr.1993 | | | | 0.7862 | 80.2 |
| 1992 June | 12.4 | −1.4 | −1.42 | 0.7027 | 92.9 |
| July | 12.4 | −1.6 | −1.08 | 0.7137 | 92.6 |
| August | 12.2 | −1.6 | −1.14 | 0.7219 | 92.0 |
| September | 11.8 | −1.3 | −0.87 | 0.7426 | 88.2 |
| October | 11.5 | −1.4 | −1.06 | 0.7969 | 80.8 |
| November | 11.4 | −1.7 | −1.35 | 0.8100 | 78.3 |
| December | 11.5 | −2.4 | −2.03 | 0.7976 | 80.0 |
| 1993 January | | | | 0.7809 | 80.6 |
| February | | | | 0.8179 | 76.8 |
| March | | | | 0.8061 | 78.2 |
| April | | | | 0.7894 | 80.5 |
| May | | | | 0.7855 | 80.5 |
| June | | | | 0.7837 | 79.6 |
| July | | | | 0.7685 | 81.3 |

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

# Tories promise tough action on crime and deficit

By Kevin Brown,
Political Correspondent

BRITAIN'S ruling Conservative party yesterday sought to lay the groundwork for a political recovery in the autumn by promising tough action on law and order and on the Budget deficit.

As Mr John Major, the prime minister, began a summer holiday in Portugal, government ministers moved to recapture the political agenda from their rightwing critics in the Tory party. The most dramatic initiative came from Mr Michael Howard, the home secretary, who plans to make life harder for prisoners in British jails. The proposals, which outraged prison reformers, are intended to underline the government's determination to recapture the initiative on law and order issues.

Ministers are keenly aware that fear of rising crime was a crucial factor in the Tory defeat at two parliamentary by-elections earlier this year.

Mr Howard is also vulnerable to rightwing claims that he has been outmanoeuvred Mr Tony Blair, the opposition Labour party's home affairs spokesman, who has spoken out strongly about the impact of crime on ordinary voters.

Mr Howard's proposals, however, were well received by many rightwing Conservatives. Sir Ivan Lawrence, chairman of the Commons home affairs committee, said the prison system had to be "frightening" enough to deter potential offenders.

"The public are fed up with hearing stories of prisoners not being tasked sufficiently, being released earlier than the public would think proper and enjoying sports and home life," he said.

Mr Michael Portillo, chief secretary to the Treasury, sought to undermine rightwing critics of government economic policy by repeating pledges to reduce the country's £50bn budget deficit.

Interviewed on BBC Television, Mr Portillo played down rightwing calls for big public spending cuts and refused to rule out tax increases in the Budget.

"Some of the people who are making these criticisms fear that we are going to let up on our efforts in controlling public spending," he said. "We are not going to do that."

There were also signs that Mr Major was giving active support to backbench loyalists seeking to reduce the influence of rightwing MPs in the parliamentary party.

Yesterday, however, it was not clear whether the loyalists could muster sufficient support to unseat prominent rightwing critics such as Sir George Gardiner, a member of the executive of the influential 1922 committee of Conservative backbenchers.

# Sales drive is urged in mainland Europe

By Peter Norman,
Economics Editor

UK COMPANIES should start promoting sales in mainland Europe following the recent widening of fluctuation margins in the European exchange rate mechanism, the Chartered Institute of Marketing says today.

The institute, which represents marketing managers, says in its latest quarterly report that the effective suspension of the ERM will cause interest rates outside Germany to fall.

Professor Douglas McWilliams, the institute's economic adviser, says in the report that markets on mainland Europe "should stabilise over the next nine months and be growing by the second half of 1994" as a result.

Prof McWilliams forecasts a general improvement in the world economy for 1994-95. He warns, however, that in the near term Britain's recovery may slow after a rapid start because of weakness in the UK's main European markets and likely government spending cuts and tax increases. The institute expects Britain's economy to grow by 2 per cent this year and 3.5 per cent a year in 1994 and 1995.

Prof McWilliams says the risk of inflation damaging the UK economy in the near future is diminishing and scope exists for the government to cut interest rates if the economy slows.

Institute forecasts anticipate a fall in bank base rates to 5 per cent by the end of this year and 4 per cent by the end of next year.

Mr Ian Ross, the institute's chairman, says companies will have to cut their costs to remain effective in world markets. He says: "I expect companies to place increasing pressure on their suppliers to cut prices."

Terry Kirk

Lyme Bay in south-west England is near the top of a list of unspoiled landscapes said by English Nature, the conservation watchdog, to be under threat from encroachment by tourism and industry. English Nature yesterday demanded urgent safeguards

# Agency rejects many company documents

By Andrew Jack

MORE than 8 per cent of the documents filed in the past year to Companies House, the government's corporate information agency, were rejected as inaccurate or incomplete.

Officials sent back 329,000 of the 3,977,000 documents received from companies in 1992-93 according to a Companies House report covering the 12 months to March.

Almost 20 per cent of the annual accounts that companies are required by law to file omitted the signature or name on the auditor's report. More than 10 per cent had no original signature on the balance sheet and more than 30 per cent failed to list their members, directors or company secretary in their annual returns. Companies House scrutinises returns only for clerical errors. It does not check to see whether the accounting policies are correct or that the books balance. The report shows that 85 per cent of companies are filing annual accounts and returns on time, a sharp increase since Companies House introduced late-filing penalties last year. Fines generated £5.7m, which was less than the agency expected.

In an indication of the effects of the recession the number of new-company incorporations fell from 112,000 to 109,000 in the last year, the lowest level for more than five years, while those struck off the register increased sharply from 119,000 to 153,000. That reduced the total number of limited companies to 973,000 compared with 1,008,000 a year earlier.

Demands for searches of company information also fell, down 11.3 per cent on last year, and that contributed to the agency's decision to cut expenditure by £2.8m. Redundancy and early retirement cost £1.5m and it reported a deficit of £2.4m for the year.

# Level of pay rises 'no longer declining'

By Robert Taylor,
Labour Correspondent

THE FALL in the level of private-sector pay settlements appears to have ended, says analysis published today by Incomes Data Services, a pay research organisation. It adds that rises are bottoming out well ahead of the rate of inflation in spite of government hopes that the rate of growth in pay would continue to slow.

Two thirds of private-sector pay deals over the past three months have been between 2 per cent and 3.9 per cent compared with fewer than half in the previous three months, Incomes Data continues.

The proportion of pay pauses and freezes is declining. None was recorded in June and there were only four last month compared with 20 in April and 35 in January. The proportion of settlements resulting in freezes fell from 5.3 per cent in the February-April period to 3.6 per cent in the latest three months. Incomes Data says salary awards for managers are also bottoming out, running at an average of just over 3 per cent in the May-July period, the same as in the previous three months. Nearly 40 per cent of awards were between 3 and 3.9 per cent.

The median increase in managerial pay awards was slightly under 3 per cent while managerial salary pauses and freezes fell from 18.8 per cent during the second quarter of the year to 8.5 per cent for the three months ending in July.

In the public sector most workers are settling within the government's 1.5 per cent pay limit, although a few local authorities have awarded higher rises through performance-related deals: "It is clear that the government's 1.5 per cent limit is generally sticking," says Incomes Data.

However, more than 500,000 municipal staff in Unison, Britain's largest union, are voting this week on whether to take industrial action against the 1.5 per cent limit.

## Britain in brief

### Holiday bookings up sharply

Tour operator Thomson and Lunn Poly, the travel agency chain owned by it, yesterday reported a strong response to discounts and price cuts for the 1994 season which were announced last week.

Thomson said Spain was the most popular choice. Lunn Poly said long-haul destinations such as Florida, the Caribbean and Africa were selling "particularly well".

Mr Charles Newbold, Thomson's managing director, said: "We have sold as many holidays in two days as we sold in a month last year. It indicates a real return of consumer confidence."

### Labour deputy faces challenge

Mr Bryan Gould, the opposition Labour party's leading Euro-sceptic, yesterday raised the prospect of a damaging bout of infighting by threatening to challenge Mrs Margaret Beckett next year for the party's deputy leadership.

Mr Gould, who was decisively defeated by Mr John Smith in last year's battle for the Labour leadership, said there was "growing unhappiness with the party's current attitudes and strategy".

### Unions urged to change links

Mr David Hunt, the employment secretary, has urged unions to cut their long-standing exclusive links with the opposition Labour party in favour of formal contacts with all main political parties, including the Conservatives. "If the trade union movement really means business it should detach itself from the Labour party," he said.

Interview, Back Page Section II

### TUC chief warns on family stress

Growing insecurity in the workplace is contributing to problems in the family and to rising crime rates, said Mr John Monks, general secretary-elect of the Trades Union Congress. Mr Monks, who takes over his new job in a fortnight, said on BBC Television that "over-mighty employers" were free to do what they liked, including introducing fixed-term or temporary contracts and part-time work.

### Shortage of science students

Universities have cut the number of arts and humanities courses available to undergraduate students, but entry requirements for science subjects have been lowered and admissions tutors are having difficulty in filling places.

The difficulty, the extent of which emerged at the weekend, will put pressure on Mr John Patten, the education secretary, who returns to his desk today after a six-week absence due to illness, to announce new measures on university funding.

### Warning of defeat on rail fares

Conservative rebels claimed yesterday that the government would face an embarrassing defeat in parliament over rail privatisation if British Rail went ahead with planned fare increases of up to 16 per cent.

The plan will stiffen the resolve of Conservative rebels to force concessions from ministers when the privatisation bill returns to the House of Commons in the autumn.

# Man with a mission to revive manufacturing industry

## Michael Cassell meets a tough critic of big business and the government

DAVID TURNBULL claims he was a lonely voice in demanding a national industrial strategy to rebuild the UK's manufacturing base. Now he has to struggle to be heard above the clamour.

"All of a sudden, the message is fashionable," he says. "But have you noticed, despite all the lip service, how little is actually being done about it? . . . We cannot afford to sit back and wait. We must embarrass the government into acting," he insists.

Mr Turnbull is an accountant, with his own practice in Aldershot in southern England, and runs two professional accountancy bodies, between them representing more than 200 firms. Although he readily admits that "I couldn't make anything to save my life", he is also director-general of the UK Industrial Group, which was set up a year ago to restore the reputation and economic contribution of the manufacturing sector.

More than 70 companies – with a combined annual turnover of £1.5bn – have now joined the group, which is demanding an end to the decline in the nation's manufacturing base and the creation of a sustained balance of trade surplus.

Mr Turnbull alleges that organisations such as the Confederation of British Industry, the main employers' organisation, are interested only in "protecting cosy relationships with government".

Many of his group's core proposals, contained in its recent policy statement, reek of interventionism and the type of corporatist language which is anathema to the present government and the leaders of big business.

But Mr Turnbull is untroubled. He claims he is not interested in playing politics and just wants to see in place a strategy with the aim of raising UK industrial output.

At the heart of the group's manifesto lies a plan to establish a national investment fund, manned by industrialists and financiers and given an initial, five-year injection of £10bn a year. The Treasury – "subordinated to serving the interests of the DTI [trade and industry ministry]" – would be excluded, though the industry department would get a seat at the table.

The money, he says, would come either from the government alone or from the City of London and industry as well. With an eye on boosting exports and import substitution, funds would be directed at developing best practice and world-beating products. "We are drawing up a shopping list to identify the products no longer made in the UK and those for which there is strong demand but insufficient UK capacity. The list would lead to specific new manfacturing initiatives to meet domestic and overseas demand".

The group now plans its own investment fund to test the water. People will buy industrial investment bonds, along the lines floated by Labour in its most recent industry policy document. There is, says Mr Turnbull, a "genuine and growing willingness" among industrialists to get a fund under way. "A new approach to funding is desperately needed," he explains. "Just look at our national record for underinvestment and short-termism. No-one can claim the old system has worked. Critics might sneer but governments in other countries get fully behind their productive resources instead of making encouraging noises from the sidelines."

He adds: "If our policies are adopted, we could expect to see a significant and sustained turnround in Britain's balance of trade within four years. It is no good politicians relying on another economic recovery to mask our structural problems. If they fail to tackle them, we will all pay a heavy price."

## CONTRACTS & TENDERS

# THE WEEK AHEAD

## ECONOMICS

# Waiting for a Bundesbank initiative

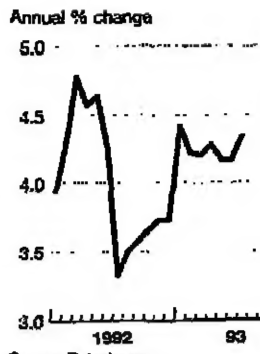
ATTENTION will focus on Germany this week, with the Bundesbank's policy making central council meeting for the first time after the summer break on Thursday and preliminary cost of living data expected in the days ahead.

Hopes of an early cut in the Bundesbank's 6.75 per cent discount rate were fueled late last week after the bank published remarks by Mr Hans Tietmeyer, its vice president and president-designate, that a big appreciation of the D-Mark within Europe was "undesirable" because of the need to preserve exporters' competitiveness. However, price developments in Germany will be of vital importance in persuading the council members whether or not to lower official interest rates.

The Bundesbank policy makers and financial markets should be able to judge on the strength of the inflation performance in states such as Hesse, North Rhine Westphalia, Bavaria and Baden Württemberg, which are expected to publish their August cost of living figures early this week. The preliminary cost of living data for western Germany may be published nearer the end the week.

*Forecasters polled by MMS* International, a financial information company, expect the cost of living in Germany will be in a range from unchanged to 0.2 per cent higher in August compared with July.

**Germany: inflation rate**




Source: Datastream

However, the year-on-year rate is expected to show little change from July's comparatively high 4.3 per cent. The estimates reported by MMS range from 4.1 per cent to 4.3 per cent.

The week should also produce further insights into government policy in Japan and France.

Today, the new Japanese prime minister will be spelling out his government's policies while the French cabinet will meet in the aftermath of this month's upheaval in the European exchange rate mechanism. European and trade matters are expected to top the agenda in Franco-German talks in Bonn on Thursday.

The main economic statistics and events of the week follow. The figures in brackets are the *median of economists' forecasts* from MMS International.

**Today:** Japan, prime minister Morihiro Hosokawa gives policy speech. France, prime *minister Edouard Balladur* meets cabinet following summer recess; July consumer price index. Canada, June retail sales (seasonally adjusted, up 0.1 per cent on month).

**Tomorrow:** Japan, June coincident index, leading diffusion index; economic ministers meet in Tokyo. US, Auto sales *for August 11 to 20 (6.3m)*, truck sales August 11 - 20. France, prime minister Balladur holds news conference in Paris. New Zealand, July trade surplus.

**Wednesday:** US, *July durable* goods orders (down 0.9 per cent), shipments, existing home sales. Australia, July motor vehicle registrations (down 4 per cent on year). Germany, tenders close for four year Treasury note auction. UK, new construction orders in June.

**Thursday:** Germany, Bundesbank council meets after the summer break in Frankfurt. Chancellor Helmut Kohl meets French President François Mitterrand in Bonn to discuss EC matters and GATT and also meets prime minister Balladur. Sweden, Riksbank (central bank) council meets. US, initial claims week ended August 21 (330,000); state benefits week to August 14; money supply week *to August 16 (M2 up $2.9bn)*. UK, Advance annual estimates of 1992 national accounts; June engineering sales and orders at current and constant prices; *June energy trends*; July new vehicle registrations.

**Friday:** Japan, Tokyo August consumer prices (up 1.8 per cent on year, ex perishables up 1.2 per cent); national July CPI (up 1.8 per cent on year, ex perishables up 1.3 per cent); July unemployment; July retail sales (down 3.9 per cent on year). US, August Michigan sentiment index; July export and import price indices; July bank credit. UK, CBI monthly industrial trends and economic forecast.

**During the week:** Germany, *regional cost of living figures* for August (up 0.1 per cent on month); western German August preliminary cost of living (up 0.1 per cent on month, 4.2 per cent on year); July import prices.

Italy, June wholesale prices (up 5.1 per cent on year); June producer prices (up annual 4 per cent); July M2 (up annual 5.6 per cent), July bank lending; August consumer prices (up 4.6 per cent on year); June EC trade balance (L1 trillion); July balance of payments (L3 trillion); July foreign reserves (L77.5 trillion).

France, July unemployment rate (11.7 per cent).

Belgium, August consumer prices (up 2.6 per cent on year).

**Peter Norman**

## RESULTS DUE

THE national newsagent and retailer **WH Smith**, is expected on Wednesday to report pre-tax profits for the year ended May 31 down slightly from £113m a year *earlier*.

Profits will be better, or at least static, in all divisions except the Do it All DIY joint venture with Boots. The losses there are likely to rise to about £12m from £2.7m a year earlier, reflecting sharp price competition in the sector and the venture's problems. Smith's might lift the final dividend from the previous year's 9.1p but the market is not taking the increase for granted.

Interim profits at **Guardian Royal Exchange**, to be announced on Thursday, should be in line with the three composites already announced. Some £65m is expected, against losses of £39m last time, indicating *the recovery of UK underwriting*.

However, under FRS 3, investment gains will now be included above the line, resulting in a maximum headline figure of £155m.

**Medeva**, the fast growing UK drugs company which had its stock market value slashed from £569m to £295m in July following a warning that full-year profits would be some £10m less than expected after overstocking in the US, unveils its interim results tomorrow.

Analysts are unwilling to estimate how much of the shortfall will occur in the first half.

Between £16m and £18m has been tentatively pencilled in this time, against £14.1m last time round.

A positive statement from Mr Bernard Taylor, chairman, about how things are in the US since the overstocking problems and the temporary closure of two plants for FDA inspections would go down well.

**Rentokil**, the environmental and property services company whose hostile £75.7m bid for Securiguard, the security and cleaning group, was recommended in July, reports interim results on Thursday. Profits of between £63m and £64m pre-tax are expected, though last time's £51.5m will be restated for FRS 3 and the group, where 60 per cent of profits come from outside the UK, is also moving to average, rather than period-end, exchange rate calculations. The dividend could rise from 0.64p to 0.78p.

**The Telegraph** is expected to report second quarter pre-tax profits on Wednesday of about £13m. The first quarter's £19.1m, double the year earlier period, was swollen by £6.5m from the sale in January of its 13 per cent stake in the limited voting stock of Trinity International Holdings.

## UK COMPANIES

■ **TODAY**
COMPANY MEETING:
**Whitecroft**, Holiday Inn Crowne *Plaza* Midland, Peter Street, Manchester, 2.30
BOARD MEETINGS:
Finals:
**Aerospace Eng.**
**Stanelco**
Interims:
**Copymore**
**Guinness Peat**
**Holmes Protection**
**Medeva**
***Monument Oil & Gas***
**Newcastle Bldg. Scty.**
**WPP**

■ **TOMORROW**
COMPANY MEETINGS:
**Booth Inds.**, Worsley Court House, Worsley, Manchester, 11.30
**Moorgate Inv. Trust**, 49, Hay's Mews, W., 11.00
*BOARD MEETINGS:*
Final:
**River & Merc Smaller Co's**
Interims:
**Amicable Smaller Ent. Tst**
**Bournemouth Water**
***Bridon***
**Graseby**
**INVESCO**
**Kerry Group**
**Mersey Docks & Harbour**
**Murray Intl. Tst.**
**Riva**
**Scot. Eastern Inv. Tst.**
**Sunleigh**
**TR High Income Tst.**
**Wace**
**Wates City of Lon. Props**
**West Hampshire Water**

■ **WEDNESDAY**
**AUGUST 25**
COMPANY MEETINGS:
**Allied Colloids**, Stakis Norfolk Gardens Hotel, Hall Ings, Bradford, *12.00*
**First Spanish Inv. Trust**, 48, Chiswell Street, E.C., 12.00
**Greene King**, Theatre Royal, Westgate Street, Bury St. Edmunds, 12.00
**Hollas Group**, Cottons Hotel, Manchester Road, Knutsford, Cheshire, 9.30
**I & S Optimum Income Trust**, 1, Charlotte Square, Edinburgh, 12.30
**Swan (John)**, New Mart Road, Gorgie, Edinburgh, 3.30
BOARD MEETINGS:
Finals:
**News Intl.**
***Property Trust***
**Smith (WH)**
Interims:
**Aegis**
**Burlington Grp.**
**Daniels (S)**
**Fleming Claverhouse Inv.**
**Guardian Royal Exchange**
**Hambro *Countrywide***
**Hemingway Properties**
**Hickson Intl.**
**Mayflower**
**Rentokil**
**Slough Estates**
**Telegraph**
**Victaulic**
**Wilkes (James)**

■ **THURSDAY**
***AUGUST 26***
COMPANY MEETINGS:
**Castle Mill Intl.**, Castle Mill, Schofield Street, Oldham, 2.00
**Scottish & Newcastle**, Sheraton Grand Hotel, 1, Festival Square, Edinburgh, 11.30
**Sutcliffe Speakman**, Greyhound Hotel, Leigh, 11.30
**TGI**, Moor House, 119, London Wall, E.C., 11.00
BOARD MEETINGS:
Finals:
**Murray Income Tst.**
**Primadona**
Interims:
**Bostrom**
***Cattle's***
**Church**
**Gibbs & Dandy**
**Guardian Royal Exchange**
**McAlpine (Alfred)**
**Mallett**
**Merlin Intl. Green Inv.**
**Pentland**
**Weir**

■ **FRIDAY**
**AUGUST 27**
COMPANY MEETING:
**Creighton's *Naturally***, Abingworth *Hall*, Storrington Road, Thakeham, West Sussex, 11.00
BOARD MEETINGS:
Finals:
**Surrey Group**
**West Trust**
Interims:
**Coutts Consulting**
**Lec Refrigeration**
**Shorco**

■ **SATURDAY**
**AUGUST 28**
BOARD MEETING:
Interim:
**Astec (BSR)**

*Company meetings are annual general meetings unless otherwise stated.*
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

## DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Abbey Natl. Treasury Servs. 10⅛% Gtd. Nts. 1996 Ecu92.50
Do. 10¼% Gtd. Nts. 1994 C$102.5
BankAmerica $0.35
Barclays Bank Undated Fltg. Rate Cap. Nts. $173.78
Prospect Inds. 0.275p
Sanwa Intl. Fin. Gtd. Fltg. Fixed Nts. 1995 Ecu90
Sea Containers $0.1925
Do. Class B $0.175
Seeboard 14.3p
Tokyo Elec. Power 8¾% Nts. 1996 $437.50
Vistec 0.25p
Westpac Banking Corpn. Sub. Fltg. Rate Nts. 1997 $180.1

■ **TOMORROW**
Allied Irish Banks Undated Var. Nts. $115
Argyll Group 7.35p
Bradford & Bingley Bldg. Soc. Sub. Fltg. Nts. 2005 £151.23
British Gas Intl. Fin. 12¼% Gtd. Nts. Lire612,500
Burton 8% Conv. 1996/2001 £4
Commonwealth Bank of Australia 11.5% Gtd. Nts. 1994 £115
Costain Fin. 7½% Gtd. Red. 2003 7.5p
Leeds Permanent Bldg. Soc. Fltg. Rate Nts. 1996 £151.23
Northern Rock Bldg. Soc. Fltg. Rate Nts. 1994 £155.96
Royal Bank of Canada C$0.29
Wells Fargo Fltg. Rate Sub. Nts. 1994 $134.17

■ **WEDNESDAY**
**AUGUST 25**
Aluminium Co of America $0.40
BPB Inds. 7.25% Conv. Bds. 2008 £31.82
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1996 £155.01
Burton 4¾% Conv. Bds 2001 £47.50
Eaton $0.30
Eksportfinans 10⅛ Nts 1994 C$101.25
Greene King 8.6p
Halifax Bldg. Soc. Collared Fltg. Rate Nts. 2003 £347.12
Merrill Lynch $0.35
Racal Electronics 2.75p
Swan (John) 16p
TSB Gilt Fund Partg. Red. Pref. (Class B) 0.7p
UK 8¾% Treasury 2017 £4.275

■ **THURSDAY**
**AUGUST 26**
BET 1.25p
Do. ADR $0.0952
British Steel ADR $0.1847
British Telecom Fin. 8⅞ Gtd. Bds 1994 $443.75
Brockhampton 5.3p
Do. A Non Vtg. 5.3p
Chubb Security 3.25p
First Spanish Inv Tst 7.8p
Gen. Motors 10% Nts 1994 Ecu100
Lloyds Eurofin. Gtd. Fltg. Rate Nts 1996 £77.19
London Electricity 13.9p
Mitsubishi Bank Fltg. Rate Sub. 2000 $910.42
Mitsubishi Corpn. 10½% Nts 1995 $525
New Zealand Fltg. Rate Nts. 1997 £78.40
Standard Chartered Sub. Fltg. Rate Nts. 1998 £76.88
TR Technology 1.75p
Do. UNITS 7p
UK 10% Treasury Stk. 2001 £5
Woolwich Bldg. Soc. Fltg. Rate Ln. Nts. 1995 £154.38

■ **FRIDAY**
**AUGUST 27**
Allied Colloids 3.35p
Assoc. Nursing Services 1p
Babcock Intl. 1.1p
British Land 4.72p
Canon Inc 4.85% Nts 1997 Y118,250
Carlton Comms. 7.4p
Cassidy Brothers 1.65p
City of Oxford Inv. Tst. 1.2p
Cosalt 2.125p
Dawson Intl. 6.1p
Donelon Tyson 1.2p
Eurocamp 3.45p
Fleming American Inv. 0.85p
French (Thomas) 1.45p
Gartmore Scotland Inv. 2.4p
Do. Package Units £6
Geared Income Inv. Tst 1.5p
Gestetner 1.8p
Greencore Ir3.3p
Kenwood Appliances 4.35p
Merchants Tst. 2.65p
Motor World 2.3p
Murray Intl. Tst. 2.7p
National Power ADR $0.228
Neotronics Tech. 0.85p
Ratners 4% Conv. Bds Nts 2002 £165
Smith New Court 5p
Tokuyama Corpn. 6% Nts 1996 Y600,000
Toray Inds. Fltg. Rate Nts. 1997 Y89,763
UK 9¾% Treasury Stk. 2002 £4.875
Whitecroft 4.1% Cum. Pref. 2.05p

■ **SATURDAY**
**AUGUST 28**
Cigna O'seas. Fin. 13% Uns Ln 2008 £6.50
Electricite de France 12½% Gtd. Ln. 2008 £312.50
Faupel Trading 3.05p
Security Services 1.533p



## LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re
TOWERS FINANCIAL CORPORATION,
TOWERS HEALTHCARE RECEIVABLES FUNDING CORPORATION,
TOWERS HEALTHCARE RECEIVABLES FUNDING CORPORATION II,
[illegible]

NOTICE OF LAST DATE FOR THE FILING OF PROOFS OF CLAIM AND PROOFS OF INTEREST

[illegible]

WINTHROP, STIMSON, PUTNAM & ROBERTS
[illegible]

# Language lessons

## Despite a need for multi-lingual staff, training budgets have become tight, writes Lucy Kellaway

Three years ago many British managers were concerned about their inability to speak foreign languages. As 1992 loomed, they looked anxiously across the channel at their multi-lingual counterparts and a hasty flurry of training began.

The single market is barely a year old, but companies already seem to be wondering whether it is necessary to pay for costly language lessons after all.

At the Languages Lead Body, an organisation for the promotion of language training, the number of enquiries from British companies has tailed off from the peak levels of two years ago.

According to spokesman Louis Greenstock, companies are being cheapskate in their approach to training: some have even abandoned in-house lessons, instead sending people on local authority evening courses. Others have invested in a few self-study packs and told staff to get on with it.

Linguarama, a large private-sector language training business is feeling the chill: earlier this month it reported a loss of £40,000 for the first half of this year, against a profit of £620,000 for the first half of 1992.

It seems recession-hit clients in the UK and on the continent are reluctant to spend any more than strictly necessary on training.

The same message emerges from a recent survey by employment agency Gordon Yates. This shows that companies are having second thoughts about whether their secretaries need a foreign language.

More than a third of the 500 London employers surveyed say languages play no role whatsoever in their choice of staff – a year earlier only a fifth were adamant that languages did not matter.

"From the survey we sensed that people were getting fed up with Europe," says Richard Grace, managing director at Gordon Yates. "Companies have had a desperate time in the last year, and all forward thinking like language training has gone out of the window," he says.

The dwindling interest is alarming, given that the necessity for speaking languages seems to be increasing.

A survey of the language needs of British business by the Institute of Manpower Studies in 1991 revealed a serious shortage of language skills, which it forecast would get worse.

All the companies in the survey identified some unmet language needs, and most said that they expected foreign languages to become more important to them in the future. Less than a quarter, however, intended to increase their training in the next five years.

Companies appear to be becoming more selective when it comes to staff language training. A few years ago, many big organisations offered language training to any willing member of staff as a self-development perk.

Geoff Monaghan, general manager of Linguarama UK says: "During the boom years people got very excited and started a lot of language training initiatives." Companies were also over-expectant about what could be achieved, thinking staff could be fluent after six months of weekly classes.

Companies are now more realistic about the difficulties and expense involved in learning a language.

Recognising that achieving fluency can cost up to £10,000 and require great effort they are spending more carefully, training only those staff who need languages for their work, and exploiting employees' existing skills.

British Gas has been doing just this at its Global Gas division, which buys into overseas gas markets. The company has started to log its staff abilities including their language skills. The process is enabling the company to fill posts from existing staff numbers in European gas markets where few locals speak English.

For its German operation, British Gas needed 12 fluent German speakers. After trawling its staff, it could find only three suitable candidates. Others have been sent on intensive tailor-made training. Now, says Chris Le Fevre, a regional controller of Global Gas, at least one of the people speaks "better German than the Germans – it does impress".

Each person in the 60-strong department in London is engaged in intensive study of a language, having lessons in office time and studying at home. Their progress is being minutely examined and is going towards an overall performance appraisal.

The notion of language being important is coming as something of a shock in this mature British utility.

"Lots of people were interested in Global Gas, but when we said they had to learn a language, they were shocked. They hadn't thought of that dimension," says Le Fevre.

In adopting a more selective approach to languages, companies are recognising the need to be more precise about employees' existing skills. Linguarama has been retained by several large companies to run detailed programmes.

"Sometimes you get people who have done a degree in French or Spanish, but ask them to hold a telephone call to arrange a meeting and they are lost," says Monaghan.

The first lesson is not to take someone's CV details too seriously: even if they claim to speak business French they may not be able to advance much further than "Bonjour, comment allez-vous"?

Manpower, the employment agency, is capitalising on companies' need for precision.

It is spending more than £1m on an appraisal and training project that starts this month. Its temps who speak languages will be rigorously tested on vocabulary, grammar and comprehension, to ensure they can meet company requirements.

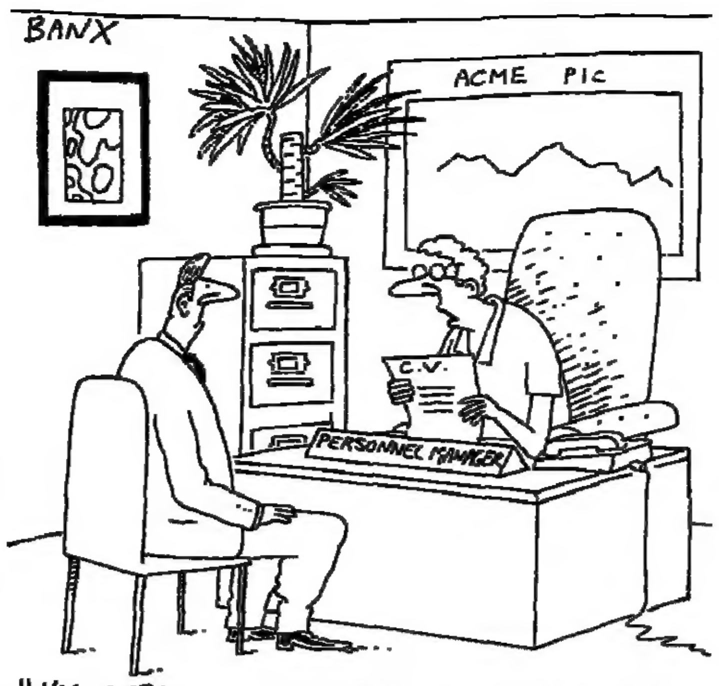
The Manpower project is bold as it assumes that British companies' apathy towards languages will be short-lived, in spite of its own market research suggesting little demand for the new service.

"People didn't see a need for multi-lingual skills," says Lilian Bennett, the company's chairman.

Evidently she thinks she knows what companies want better than they do themselves. The need to speak languages is not "a fashion thing. The single market is going to bring up these needs," she says.

It is only alarming that companies at the moment are too short-sighted to agree with her.

**"Companies have had a desperate time in the last year, and all forward thinking like language training has gone out of the window"**



"I'M AFRAID A SMATTERING OF RESTAURANT ESPERANTO ISN'T GOING TO BE ENOUGH IF YOU WANT TO WORK HERE."

# Searching for a healthy salary structure

## Trust hospitals are now trying to put paid to collective bargaining, says Lisa Wood

IS the work of a nurse comparable to that of a physiotherapist? Can they do bits of each other's jobs? Should they be paid the same? If so, can hospitals afford to make the necessary adjustments to salaries without going bankrupt?

These issues have been engrossing the personnel department at Central Manchester Health Care Trust (CMHT) since the trust was set up in April 1991. Staff costs account for 70 per cent of the trust's £140m budget; effective management of the workforce is therefore crucial to its financial health.

The challenge facing Richard Sugden, director of personnel at CMHT, will be familiar to many in the private sector. It is also shared by hundreds of his peers in other trust hospitals who are groping for an appropriate local pay structure to replace the nationally determined pay and conditions that cover more than 1m NHS workers.

Job evaluation is at the heart of the changes that trusts are seeking to make on pay. They argue that if they are going to set local rates they need to take a fresh and comprehensive look at what medical and non-medical staff are doing, and pay them in a fair way.

With this in mind CMHT, in partnership with trade unions and KPMG, the management consultants, have developed Medequate, claimed to be the first healthcare-specific job evaluation system in the UK.

The emphasis on evaluation is particularly important because of the number of new jobs, such as the new health care assistant role, which are emerging as trust managers examine the range of skills they need and their cost-effectiveness.

An entitlement to set locally determined terms and conditions of employment for new staff – but *not* those transferring from the health service – was seen by the government as a core role of the new NHS trusts, the first wave of which were set-up in 1990.

Medequate enables these new jobs to be broken down into their component parts – apportioning to each a specific financial worth.

As yet only a handful of trusts have set their local pay terms, although more have established some new local terms of employment. CMHT, for example, has negotiated a number of new agreements on non-pay issues, such as common terms of compassionate leave.

Trusts give a variety of reasons for not yet having established local pay structures – not least that such changes take a low priority at a time when most of them are struggling to balance budgets and reduce hospital waiting lists.

Sugden cites other substantial reasons – cost and complexity. Some smaller trusts, such as ambulance trusts, have made more progress than big teaching hospitals. For many large teaching hospitals employing a wide range of staff, adjustments in salaries relative to each other are highly sensitive. Adjustments could also have a substantial knock-on effect on the pay bill at a time when the government has put a 1.5 per cent ceiling on public sector rises.

CMHT is trying to get away from the present system of collective bargaining at national level by 40 different unions and staff organisations on the Whitley councils – the traditional negotiating forums in the NHS. All have different salary structures. On some, employees start at the minimum and move up, on others they can be appointed at something more than the minimum, on others there are additional pay elements for taking on those with slightly more responsibility. All staff, excluding senior managers, progress because of time served. Senior managers have a basic salary and are then entitled to receive performance related pay.

In devising Medequate, 15 factors were agreed upon as characterising, to some degree, all NHS jobs – from qualifications and formal training to clinical skills. Each factor is ascribed a weighting, so that the Medequate computer software is geared to produce a job hierarchy. Not surprisingly consultants come near the top.

Sugden says: "The hierarchy does not tell us how much we should be paying our staff. The trust's main board will decide what the highest level of pay will be and the lowest."

Sugden is coy about whether some groups may win out financially, and others lose, in the new evaluation. But, the balance is critical if the pay bill is not to explode. In any re-grading some salaries are likely to go up immediately, but those which are to be reduced have to be brought down over a period of time.

The revolutionary aspect for Sugden is that as and when new job categories are created the formula can be used to set new pay levels. At present, for example the hospital is looking at whether it is possible to introduce multi-skilled teams of professionals. If this happened, the skills a team member may have to acquire would have to be costed.

Sugden says: "At the moment we are working in an environment where there are clear professional demarcation lines. But in the future we may be moving towards describing jobs in terms of the jobs people do, not their professional grouping.

"But, part of the inertia at present in the NHS is a recognition of the sensitivity of making changes.

"But we now have a tool that enables us to say that if we change this or that activity this is the price we will have to pay."

**Job evaluation is at the heart of the changes that trusts are seeking to make on pay. They argue that if they are going to set local rates they need to take a fresh look at what medical and non-medical staff are doing, and pay them in a fair way**

# Spanish office complex

BOVIS INTERNACIONAL de ESPANA S.A., a P&O company, has won a £167m project management contract to build a retail and office development project for Centros Comerciales Continente, Glorias *Diagonal, S.A. and Centre* Corts, S.A. in Barcelona, Spain.

To be known as "Barcelona *Glories", the 1.09m sq ft development* will provide 750,000 sq ft of retail space, including a *new hypermarket for Centros* Comerciales Continente, 340,000 sq ft of lettable office *space and 1.4m sq ft of under*ground parking.

This new development will occupy four city blocks on the site of the former Olivetti plant on the Plaza de Las Glorias Catalanas - a focal point of the main thoroughfares of Barcelona.

Designed by architects Jos Galan, Cristian Cirici and Joaquin Sainz de Vicuna, the development will incorporate a number of unusual building techniques. Special diaphragm slurry walls will be used to construct the *four-story* underground car park with three of the floors being situated below the Barcelona water table. These walls will be installed to create the perimeter of the underground car park. Subsoil conditions make the installation of this watertight environment a highly complex exercise.

The exact location and size of the sand and clay areas will be determined by extracting samples of the soil and performing water pumping tests.

The permeability of the subsoil must be known before the type of slab on grade is determined. The uncertain subsoil conditions make accurate planning one of the biggest challenges of the project.

*The 1940s style factory* building will be transformed into a commercial and office building *complex. A section of the rear* of this building has already been demolished. The remaining front part of the building will be carefully retained as the adjacent four-storey underground car park is excavated.

The old factory will be refurbished to create high quality office and retail space, featuring 12 ft high ceilings.

# British embassy building

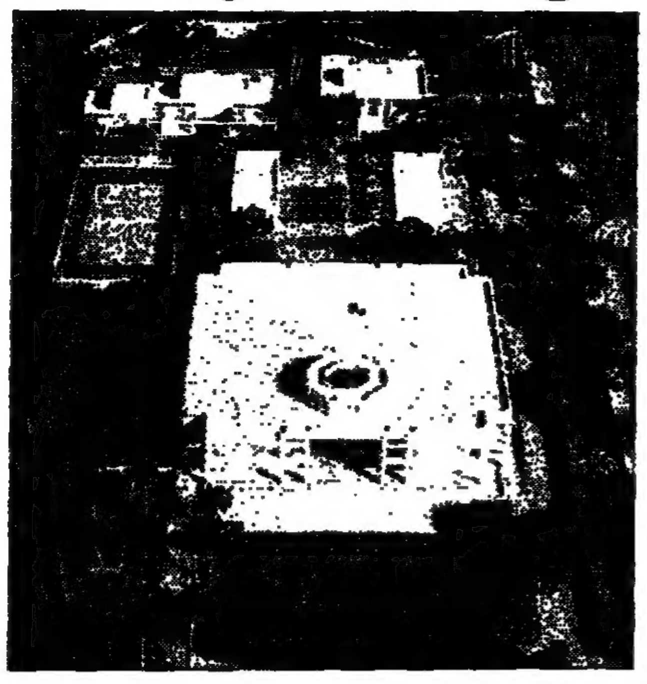
The mountains of Oman provide the backdrop to WIMPEY ALAWI'S £7.3m contract in Muscat to build a new British Embassy compound (pictured right).

The project awarded to Wimpey's subsidiary in the country, will provide 44,000 sq ft of new office accommodation on *three storeys* together with support buildings.

Located on the coast in the *diplomatic quarter of Al Khu*wair, the design of the building - developed by YRM - features *an arcade which envelops the* main building providing shade from the sun.

The 15-month contract will finish in two phases with the first stage complete by August next year and the remainder handed over two months later.

This contract brings the total value of schemes currently under way by Wimpey in the Gulf to £120m. Other projects include the £17m redevelopment of Oman's international sea port of Mina Qaboos.



# £80m orders won by AMEC

AMEC's construction sector has won contract awards worth over £80m.

Amongst the contracts taken by AMEC Civil Engineering are two, totalling £25.2m, for British Nuclear Fuels. The contracts cover works at the Sellafield site - construction of storage and service buildings, together with the civil engineering term contract at the site.

AMEC Civil Engineering has also won a £7m contract to construct a breakwater at St Heller in Jersey which forms phase II of the Albert land reclamation contract.

AMEC Building's London awards include a £6m contract for the receiver for the Metropolitan Police District. This covers construction of a four and five-storey police station at Bethnal Green.

AMEC Building is also to construct a 150-bed Hilton National hotel at Swindon, Wiltshire, under a 48-week contract. Located at J16 of the M4 motorway, the 9,410 sq metre development will comprise a framed structure with two three-storey and one four-storey wings.

Other contracts include an 81-week contract awarded by the West Midlands Fire and Civil Defence Authority for alterations and extensions to the Fire Service Training Centre at Smethwick; construction of shell and fit out of a 50,000 sq ft Safeway superstore at Harwood, Greater Manchester; construction of 100 dwellings, including external works and drainage for North British Housing Association at Newcastle; and construction of a residential house, together with external works at St George's Wharf in London. AMEC Civil Engineering and AMEC Building are both members of the AMEC group.

# Business park development at Canley

A £3m start on creating a *business park to provide hun*dreds of new jobs, out of the former Rover headquarters at *Canley, Coventry, is being* made by TARMAC CONSTRUCTION.

*The* 118-acre business park, offering a potential of 1.5m sq ft of commercial building space, is on the site of the old Standard Triumph motor factory, later developed as the Rover Group headquarters for administration, design and development. Contracts have *been awarded by Arlington* Project Management on behalf of Coventry Business Park for *preparation* work *including a* permanent roadway, and associated services to form a gyratory system.

Alterations are to be carried out to give improved site access on the A45 at Fletchampstead for Coventry City Council.

Another project to be undertaken by Tarmac Construction is the building of a £1.8m *advanced technology telephone* exchange at the Royal Naval Base, Portsmouth for the Min*istry of Defence.*

Among other new contracts, worth a total of nearly £7m, are *the* design and *build of a* £560,000 supermarket for Shoprite at Dunbar in East Lothian and a £370,000 fit out of a factory unit on the Vaughan Industrial Estate at Tipton, for John Cotton of Colne.

# Repairing City bomb damage

Two contracts have been awarded to CROWNGAP CONSTRUCTION to repair and refurbish Ellerman House, Camomile Street, which was damaged by the terrorist bomb *that* exploded in the City of London on April 24.

The first contract requires *the complete refurbishment of* the ground, first and second floors, totalling 25,600 sq ft.

Valued at £941,000, *the* 16-week project is due for completion by the end of 1993.

Crowngap's second contract at Ellerman House involves repairs to the structure and finishings of the 10-storey office building, which suffered extensive damage in the explosion.

A team from Crowngap was on site within hours, making the building safe, boarding up shattered windows and erecting scaffolding to enable a detailed inspection of the damage to be carried out.

Contract value of the repairs totals £817,000 and the works are being carried out under the supervision of managing agent, Grimley J.R. Eve. The client is P&O Containers.

## Roadbuilding

BARDON ROADSTONE, a subsidiary of Bardon Group, has won a range of new contracts for blacktop supply, surfacing work and roadstone aggregates in England, valued in total at over £10m.

Bardon Roadstone will supply about 450,000 tonnes of coated stone and 300,000 tonnes of roadstone to these contracts. They include the A46 Leicester western bypass for the Department of Transport, on which the main contractor is a joint venture between AMEC and Alfred McAlpine, together with two drystone supply orders in northern England.

The works will *commence* this month and continue well into 1994.

## School project

*Facilities at Durrington High* School in Worthing are to be given a boost following the award of an £8.2m contract by West Sussex County Council to JOHN LAING CONSTRUCTION, (LONDON AND SOUTH EAST REGION).

# Harvey: from Habitat to Ibiza

Michael Harvey, former chairman and chief executive of Habitat, has taken over as the new non-executive chairman of youth tour operator The Club, a management buy-out of Club 18-30, once part of the now defunct International Leisure Group. He replaces Francis Higgins, a veteran of International Thomson on both the *publishing* and travel side, who has resigned over a policy disagreement.

*Jeremy Muller, managing* director of The Club and a former director of ILG Travel, had worked *for Higgins at Thom*son Holidays when the latter was managing director. Muller says the recent parting, the reasons for which were "connected with growth", was "perfectly amicable". Higgins, in his early 60s, is content to spend more time breeding his prize sheep in Surrey.

Meanwhile, Harvey, 49, who left Habitat just over a year ago in the course of a management restructuring inspired by David Dworkin, Storehouse's previous, and short-lived, boss, came recommended by NatWest. The venture *capital* division of the bank put together a £2m funding package to sup*port The Club's buy-out in the* spring of 1991.

Harvey has no experience of *the holiday business* but Muller says that it is his grasp of retailing that is important. "There is an awful lot of salesmanship and hype that is needed at the sharp end of our business. A great deal of effort goes into understanding the retailing side."

Accordingly, Muller spent the first past of last week introducing Harvey to *Ibiza*, not sparing him "the raves and the very late nights" in an "introduction *extraordinaire*" for the new chairman.

If in need of any extra excite*ment, Harvey* can always compare notes with Michael Julien, Dworkin's predecessor at *Storehouse* and Harvey's introduction to Habitat. Julien has just been appointed non-executive chairman of Owners Abroad. The latter's Air 2000 supplies about 20 per cent of The Club's flights while Twenty's *Holidays*, the Club's main competitor, belongs to Owners.

■ Mike Oldfield (above), formerly md of Sutcliffe Group Design, Sutcliffe Healthcare Hotel Services and the South East Company, has been appointed director hotel services at P&O CRUISES. Oldfield began his career at sea with Shaw Savill; his new remit includes hotel services on board the Canberra and Sea Princess and the as yet unlaunched Oriana.

■ John Hammerton, commercial director of Vickers Michell Bearings, has been appointed finance director of VICKERS DEFENCE SYSTEMS.

■ John Freestone, a former md at Dairy Crest Foods, has been appointed chief executive of PASTA REALE.

■ Rachel Rowson has been promoted to company secretary of BAA on the retirement of John Grice.

■ James Butler, formerly senior legal adviser, mergers and acquisitions at CABLE & WIRELESS, has been appointed director of legal services and company secretary at Mercury Communications.

■ Christopher Braund has been appointed md of the shipper, NIARCHOS (LONDON), on the resignation and early retirement of Geoffrey Hawkins.

■ Howard Poulson has been appointed a director of FARNELL ELECTRONICS.

■ Barbara Thomas has been appointed to the board of NEWS INTERNATIONAL.

# Master of the Queen's quarries

There are 30 working quarries on the Crown Estate – the 300,000 acres of land the Queen inherited when she became monarch – producing such things as sand, gravel, brick clay, stone, potash, rock salt, limestone and slate.

The man who will in future advise the Commissioners who run the Crown Estate about *these operations is Kenneth* Bate who has been appointed Crown Mineral Agent. Bate is a partner in the Wardell Armstrong consultancy; the previous occupant of the post was *Eric Hassall* who retired from the partnership in July.

In addition to the quarrying operations – revenue from which, like all Crown Estate revenue, goes to the UK Treasury – the Crown Estate has the ownership of all gold and silver wherever it might be found in the UK. The Estate says that at present proposals are being considered for two gold projects, one in Scotland and one in Northern Ireland, but will give no more details for the time being.

As Crown Mineral Agent, Bate will advise on and negotiate leases and licences relating to land minerals. He will also advise the Commissioners on all aspects of minerals including identification of potential deposits, technical matters, valuation, mine safety and land re-instatement after quarrying.

His qualifications for this include being a Chartered Min*erals Surveyor and a Fellow of* the Royal Institution of Chartered Surveyors, a Chartered Engineer, *a Member of the* Institution of Mining Engineers and a Fellow of the Geological Society of London. *He* has worked on projects in North and South America, Africa and the Far East as well as in the UK.

Architecture/Colin Amery

# A brutalist partnership dissolves

They have been described as the most important husband and wife team in the world of modern architecture. The death last week of Alison Smithson brings to an end the long partnership of Alison and Peter Smithson that was so close, personally and professionally, and for a time so influential in the history of recent modern architecture in England. They always acted as one, to such an extent that any of their work was always attributed to "the Smithsons".

Alison Smithson was born in 1928 in Sheffield and married Peter in 1949. They practised together from 1950 onwards, both as builders and polemicists. The death of Alison Smithson provides the occasion for a reflection on their mutual achievement and the effect of their work on contemporary British architecture. They did not build a great deal. They certainly wrote a lot, particularly their regular manifestos that appeared in the magazine *Architectural Design* during the 1950s, '60s and '70s.

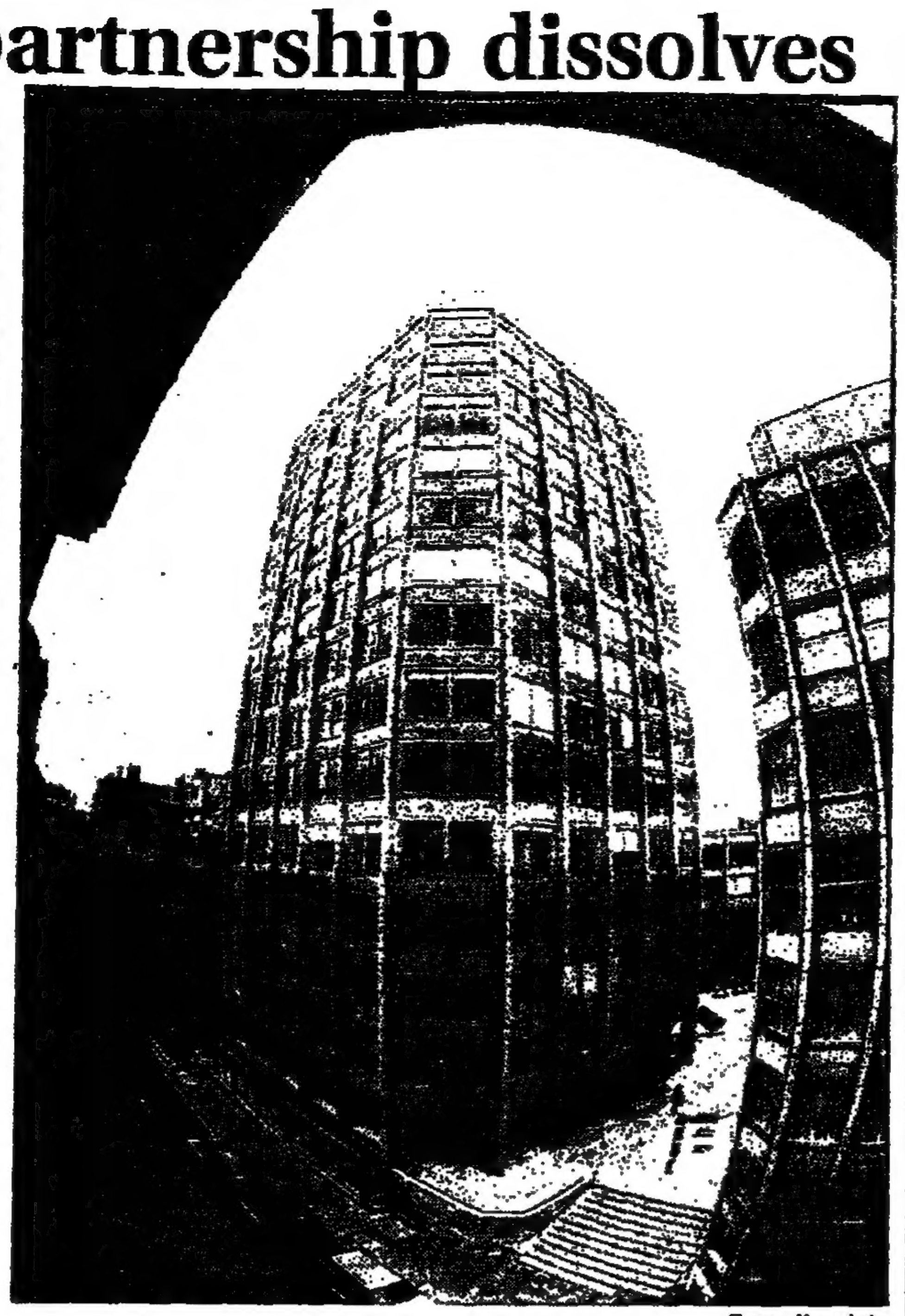
They were jointly responsible for three important post-war British buildings. They became famous for their first project – the competition-winning secondary modern school at Hunstanton in Norfolk, which was designed in 1949 and completed in 1954. Looking back today at photographs of this school it is hard to realise what excitement it caused when it was new. Everyone wrote about it at the time and praised it for its rigid symmetry and courtyard planning. It was, of course, very much derived from Mies van der Rohe's ideas with an exposed steel frame and brick wall panels. Service elements were exploited with the water tank elevated into a tower as though it was a campanile. There was almost a celebration of plumbing and much pleasure was taken by the architects in their exposure of pipes. Their architecture soon became dubbed "the new brutalism" – a prophetic description – by the critic Reyner Banham.

Their second major achievement, and one that has lasted better than any of their other work, is the office building for *The Economist*, in St. James's Street, London. This remains one of the few good commercial post-war developments in the centre of London. It is more than just new offices – it is a microcosm of a modern planned city block that encompasses three buildings next door to the Adam-ish Boodle's Club (actually designed by J. Crunden in 1775).

There is nothing brutalist about this architecture. It is almost like a modern Italian design, especially in its sensitive use of roach bed Portland stone that gives the surfaces such unusual texture. The particular achievement of the scheme is the way that it utilises the whole space between two streets, allowing pedestrians to walk through and providing a small piazza between the blocks. The block on St. James's Street itself, originally intended to be a bank, is scaled directly to its neighbours, concealing the too tall tower block behind.

There is something disturbing about the bank block on St. James's Street that must be to do with it being an irregular polygon – always a difficult shape to fit into a city grid. The slight raising of the little piazza, on the other hand, is immensely successful. The scheme was built in 1964 and has worn well. Civil and well detailed, it has been refurbished recently by Skidmore Owings and Merrill who should have known better than to make the lobby look just like any other standard American office lobby.

The third monument to the Smithson partnership may well be one that they would have preferred to forget. It is the most brutalist of all their structures and is precisely the kind of building that gives modern architects and modern architecture a bad name. Robin Hood Gardens, Bromley-by-Bow, the East End public housing built by them for the Greater London Council, is said to represent the culmination of 20 years of theorising about urban planing and the nature of city life.



Trevor Humphries

The Economist building in London's St James Street

To any eye, trained or untrained, the site of the two cranked pre-cast concrete slab blocks, seems to sum up all that is bad about 20th century architecture and official policy towards public housing. Only architects could have imagined a scheme of such horror. The Smithsons, along with others, had a fascination with "street culture" (something no middle class architect has ever experienced for himself), which they explored at pretentious meetings of the Independent Group in the 1950s and showed to the world in the infamous exhibition held at the Whitechapel Gallery in 1956 entitled *This is Tomorrow*. It was in that exhibition and in many subsequent articles and built schemes that "brutalist" architects reappraised the street, talking of street decks and streets in the air...

We have all seen the results on London's South Bank; in the Barbican in the City of London; and in Park Hill flats in Sheffield. Most readers of this column do not have to inhabit the results of this mad theory – and the residents of Robin Hood Gardens must be mystified by the double standard that could produce the fine *Economist* group while condemning them to lives that have been permanently vandalised by architectural dogma. The rampant brutalism of Robin Hood Gardens was intended to "replace such group concepts as house, street, district and city which are too overloaded with historical overtones..." What a sad monument to a partnership that clearly could enhance the world.

Edinburgh Festival

# Grassic Gibbon's A Scots Quair

Up here in Scotland, Lewis Grassic Gibbon's trilogy *A Scots Quair* (1932-34) is something of a classic. The novels - *Sunset Song, Cloud Howe* and *Grey Granite* - take Chris Guthrie from childhood in a Scottish croft before the First World War, and marriage to a local farmer, through to her second marriage and socialist fervour in the deprived urban conditions of the 1920s, and so to standing apart from her son Ewan as he grows up and becomes a Communist in the 1930s. Two years ago, TAG Theatre Company staged a sell-out version of *Sunset Song*, and now it is staging all three.

Grassic Gibbon's depiction of the bygone life of the crofts is curiously akin to Margaret Mitchell's evocation of the vanished South in *Gone with the Wind* (and, like Scarlett O'Hara, Chris Guthrie marries three times).

I say "curiously", since Mitchell's account is rightwing and perilously close to pulp romance; yet Scarlett is altogether less passive than the lyrical and reflective leftwing Chris. Grassic Gibbon's vision was the most loveable kind of Marxism. He set each character against the toughness of their social conditions; and to anyone who struggled to determine the course of his or her own destiny he accorded a kind of heroic dignity.

The TAG production goes straight for the lyricism of Chris's, and Grassic Gibbon's, vision. Chris sings some of her soliloquies, in affecting folk style (composed by Dougie MacLean); and the folk around her sing the various songs of their time and place. They also dance; and choreographer Andrew Howitt has economically caught the contrasting poetries of farmwork and steel-foundry work, of social life and private life.

After Saturday's performance of the complete trilogy on Saturday, large parts of the audience rose to their feet to hail and cheer the TAG achievement - and, of course, Grassic Gibbon's achievement too. I applauded too, but I found the plays too loaded with charm to be able to cheer. The adaptation from page to stage, which has been done by Alastair Cording, is paced with variety, but - a big but - all too often boils down important scenes into telegrammatic précis that miss the truth of serious human feeling.

The adaptation also exposes and highlights a sentimentality at Grassic Gibbon's heart. Chris's father was a bully who drove his wife to suicide and who attempted incestuous rape on his daughter; but at his funeral Chris forgives him, because of his social conditions. Chris's first husband turns into a drunk who abuses her; but after his death at the front we discover that army life had wrecked him and that he had always really loved her. Her second husband turns into an unfeeling religious bigot; but, when dying, he rediscovers his love for her *and* his socialist convictions. How many of these in-the-hour-of-death soft-centered forgivenesses can you take?

TAG presents the whole saga with just a dozen performers. Most of them have marvellous faces, modernist faces that seem sculpted, faces that move with maximum simplicity. As Chris, Pauline Knowles has exemplary stillness, directness and tenderness. (Her only faults are an occasional tendency to chant her spoken monologues and to let us know that she has found the next Mr Right by gazing spellbound right at him.) As her son and her first husband, Stuart Bowman is even finer; it is hard, at the third play's close, to believe just how different he was in the first. Anne Kidd delivers a whole range of contrasting character roles with beautiful vigour. (Only Nicola Burnett Smith lets the side down with over-busy "surface" acting.)

Every year you know that the Edinburgh Festival will include a few chunks of Scottish art - a token few bits of national art amid a generally international festival.

*A Scots Quair* is virtually guaranteed to charm those who want to be charmed by Scotland. The diction alone is adorable: "You canna manage the whole hoose on your ain," "God pity the puir bairn the faither it had," "Dinna fash me - mebbe he'll no' want tae," "My hairt is beatin' fair tae burst frae my breast," etc.

Even the toughnesses that *A Scots Quair* depicts, and its subversiveness, are part of a Scotland many people are only too happy to believe in.

**Alistair Macaulay**

Until September 4 at the Assembly Hall.

Musical events

# American soloists rescue vocal recitals

The vocal recitals have done it again. At the end of the festival's first week the music events had settled into a disappointingly unexciting run, when two solo singers came along and won spontaneous cheers that at last brought Edinburgh 1993 alive.

Both were Americans riding to the rescue, but that is no surprise these days. The American singer is in the ascendant. They dominate in opera and, unlike many of their predecessors, present-day American singers want to make their mark in recital as well. Some help to broaden the repertoire away from solid German programmes by including music from various musical traditions, including their own; others have taken on German Lieder-singers on their home ground and won.

Sylvia McNair is one of the first group. Her programme at the Queen's Hall on Saturday morning began and ended in English, passing through Italian, French, and German on the way. She is well-versed, eloquent in her own way in all of them, though the various styles are ultimately as one to her, to be treated to singing that falls as ravishing balm upon the ear.

In the opening Purcell solos every phrase was shaped exquisitely and sung with beautifully poised tone - near to heaven. No wonder she chose "The Blessed Virgin's Expostulation" as the last one. Four Schubert Italian settings (cleverly chosen for beauty of line and tone) and Debussy's Ariettes oubliées were so intimate that one wanted to hold one's breath. No matter how quietly she sings, McNair manages to keep the voice alive and intense, which is an important gift in recital.

Inevitably, there are limitations, revealed most clearly here in her Wolf group. "Nimmersatte Liebe", an extraordinary song about the masochistic joys of love, stayed unquestioningly innocent.

At least, a knowing look afterwards at the pianist (Roger Vignoles superbly expressive) suggested the point had been understood; but the singing did not. A certain shallowness marred each of the Wolf. Then to end, songs by Bernstein in all his guises, the wry, the mad-cap, the sentimental. It is always good to have such varied recitals, doubly enticing when they are sung so well.

For the evening the festival scheduled Thomas Hampson, one from the other category of Americans. With his good-as-native German, his intellectual grasp of poetry, his enquiring interest into song history, Hampson has bid fair to become an honorary European. His programmes prove as much, concentrating on German Lieder, both the common and the rare.

Unlike his compatriot, he sang in the Usher Hall, Edinburgh's main concert hall, not designed for solo recitals. It is easy to see why: Hampson can draw a large audience, he has the charisma. He has the prodigality of voice, which can expand effortlessly to a venue-filling forte with no strain, no forcing. But it is a large hall and Hampson never truly drew the audience in. An element of the celebrity recital remained.

He chose Beethoven and Grieg in the first half with a selection of German songs to the poetry of Robert Burns, a nice gesture, imaginatively worked out. After the interval the single work was Schumann's *Dichterliebe*. (Readers of Edinburgh's listings magazine hoping to hear a piece called *Dick Ferliebe* will have been disappointed.) Everything he sang was vivid, full of colour, verbally clear. But the Schumann cycle failed, not helped by the fact that Geoffrey Parsons's admirable accompaniment sounded distant and muddled in this big, resonant acoustic.

**Richard Fairman**

Chichester Festival

# Elvira 40

Louis Jouvet (1887-1951) was one of France's finest actors and directors. In 1936 Jouvet became an advisor to the Comedie-Francaise, and a director in 1940. The play *Elvira 40* at the Minerva Studio Theatre, Chichester, is the story of one theatre class given by Jouvet in Paris between February and September 1940.

Brigitte Jaques' 1986 play (translated by David Edney) has never been performed in English. It is a strange, difficult, cerebral and rewarding chamber piece. It was drawn from shorthand notes made by Jouvet's secretary. Jouvet annotated the transcripts as a teaching record, and they were published in the 1960s. The text of *Elvira 40* stays close to Jouvet's own words.

Jouvet stays on stage or roams through the audience as he conducts six lessons instructing the student actor Claudia on one scene from Moliere's aptly subtitled *Don Juan: ou le festin de pierre* (1665). The seduced and abandoned Donna Elvira returns to the Don to warn him of imminent torments and to urge him to repent. Mozart does it in four lines flat; Moliere draws it out; and Jouvet interprets magnificently.

*Elvira 40* is a treasure chest of advice for actors and spectators. Jouvet thought the audience always felt what the actor felt. He rails against the timidities, modesties or embarrassments which prevent an actor from conveying true feeling. He urges: "with every word you say the feeling must rise up in you. You must be flooded by what the word *means*... The feeling must force you to say the text. That's the actor's art... awakening your sensibilities within yourself."

**Jouvet thought the audience always felt what the actor felt. He rails against the timidities, modesties or embarrassments which prevent an actor from conveying true feeling.**

The great success of Patrick Garland's direction is that it makes theatre the hero and gives you new ways of thinking about theatre; it makes you a better spectator, pricking the mind with questions. Jouvet's legendary restlessness conveys itself in a barrage of questions "what did you think of that? was it convincing? why?" and in broadsides of opinion: "ignore the full stops. Breathe in the middle of the sentence"

What Jouvet values in acting was authority, authenticity and gesture. Here, the actors deliver. As Jouvet and Claudia, Keith Baxter and Debra Beaumont negotiate a difficult task. Imagine musicians playing a Paul Tortelier masterclass on the Cello Suites; they have to play Bach wrongly at first in order to show how much they improve. Baxter and Beaumont play actors playing actors presenting a scene.

The Minerva Theatre suits the project. Baxter finds a psychological progress through the scenes; he gradually discards his hat, scarf, overcoat and appears in shirtsleeves with loosened tie as summer ripens, but also as he reveals more of his character. He carries Jouvet's intellectual delight in Moliere and Shakespeare; he also represents Jouvet's rare ability to separate the personalities from the issues. Opposite him, Debra Beaumont has a harder job, but manages to improve her performance of Elvira by following exactly the advice she receives.

**Andrew St George**

Minerva Theatre, Chichester Festival (0243 781312) until 11 September

*INTERNATIONAL*

# ARTS GUIDE

## ■ BERLIN

**OPERA/DANCE**

The Deutsche Oper opens its 1993-4 season tomorrow with Das Rheingold, first night of a Ring cycle staged by Götz Friedrich and conducted by Jiri Kout, with a cast led by Deborah Polaski, Karan Armstrong, Robert Hale, René Kollo, Günter von Kannen and Matti Salminen. The cycle continues on Aug 28, Sep 1 and 5. Repertory for the next two weeks includes Die lustigen Weiber von Windsor, Aida and Peter Schaufuss' production of Sleeping Beauty (341 0249). Merce Cunningham Dance Company is in residence at Staatsoper unter den Linden on Wed, Thurs and Fri. Daniel Barenboim conducts August Everding's open-air staging of Die Zauberflöte at Waldbühne on Sun, with a cast led by Peter Seiffert and Eva Mei (200 4762)

**CONCERTS**

Gidon Kremer is violin soloist with Asian Youth Orchestra in a programme of Weber, Glass and Sibelius at Schauspielhaus on Wed. The Schauspielhaus programme also includes chamber and orchestral concerts featuring Heinz Holliger, Andras Schiff, Natalia Gutman and others on Thurs, Fri, Sat and next Mon (2090 2156). Daniel Barenboim conducts the opening concerts of the Berlin Festival on Aug 31 and Sep 1 at the Philharmonie (254890)

## ■ BONN

Belgian pianist André de Groote gives the fourth recital in his complete survey of Beethoven piano sonatas tomorrow at Beethoven-Haus, with four further recitals next month (632 500). Bonn Opera opens its 1993-4 season on Sat and Sun with performances of Valery Panov's production of Prokofiev's ballet Romeo and Juliet, followed on Aug 31 by the first of five performances of the Vienna Festival production of the Lyubimov/Schnittke music-theatre piece Hommage to Zhivago (773667)

## ■ COLOGNE

The 1993-4 season at the Philharmonie opens on Sun with a concert performance of Stockhausen's Donnerstag aus Licht, directed by the composer. Next week's concerts feature the Leipzig Gewandhaus Orchestra and Gidon Kremer (2801)

## ■ DRESDEN

Dresden Philharmonic Orchestra gives an open-air serenade concert in Schlosspark Pillnitz on Sun evening, with music by Mozart, Beethoven, Dvorak and Schubert (4866 666). Giuseppe Sinopoli and the Dresden Staatskapelle open the new season at the Semperoper with symphony concerts on Sun morning, next Mon and Tues. Sun evening: Bartered Bride. Next week's repertory includes Die Meistersinger von Nürnberg and a Zemlinsky/Dallapiccola double bill (4842 323)

## ■ FRANKFURT

This year's Frankfurt Festival at the Alte Oper runs from Sep 3 to Oct 6. The opening concerts are given by St Petersburg Philharmonic Orchestra under Yuri Temirkanov. Other guest ensembles include orchestras from Stuttgart, Berlin, Bonn, Milan, Budapest and Tokyo. There will be recitals by Alfred Brendel and Lucia Popp, and concert performances of Leoncavallo's opera I Medici starring Renato Bruson (1340 400)

## ■ GENEVA

● The summer concert season at Hôtel de Ville continues with Kroumata Percussion Ensemble tonight and Zetterquist Quartet from Sweden on Wed. Orchestre de la Suisse Romande gives concerts in Victoria Hall tomorrow and Thurs (312 4353)

## ■ HAMBURG

● Schoenberg, Brahms and the Egyptian-Greek composer Jani Christou (1926-1970) are the featured composers at this year's Hamburg music festival. Tonight and tomorrow in Musikhalle: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra, with piano soloist Anatol Ugorski. Sun: Hamburg Youth Orchestra. Next Tues: Andreas Schmidt song recital. The festival, which runs till Sep 12, also includes performances by the Czech Philharmonic, St Petersburg Philharmonic, Bavarian Radio and North German Radio Orchestras (247747/354414)

● The Staatsoper opens the new season with concert performances of Gounod's Roméo et Juliette at the Musikhalle on Aug 31, Sep 4, 7 and 10, with a cast led by Ruth Ann Swenson and Francisco Araiza. The first staged performance is Der Rosenkavalier on Sep 26 (351721)

## ■ NEW YORK

**THEATRE**

● Angels in America: the first half of Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200)

● Kiss of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carver as the heroic homosexual window dresser (Broadhurst, 235 West 44th St, 239 6200)

● Jelly's Last Jam: an adventurous and beautifully mounted tribute to the great jazz pioneer Jelly Roll Morton, written and directed by George C. Wolfe (Virginia, 245 West 52nd St, 239 6200)

● Oleanna: David Mamet's much-talked-about drama about a university professor and a young female student, with Jim Frangione and Mary McCann (Orpheum, 126 Second Ave, 307 4100)

**MUSIC/DANCE**

● New York City Opera: this week's performances, daily except Mon, are devoted to Romberg's The Student Prince. The first new production of the season is the New York premiere of Tippett's The Midsummer Marriage on Sep 9 (State Theater 870 5570)

● Kurt Masur opens the 1993-4 New York Philharmonic season on Sep 22 with the first of a series of concerts combining works by Beethoven and Shostakovich. In the opening programme, Itzhak Perlman plays Beethoven's Violin Concerto (875 5030)

● The first night of the Metropolitan Opera's new season on Sep 27 is a gala celebrating the 25th anniversary of the Met debuts of Placido Domingo and Luciano Pavarotti. The opening month includes revivals of Madama Butterfly, Tosca, Die Zauberflöte and Fidelio. The first new production of the season is Stiffelio on Oct 21, with Domingo in the title role (362 6000)

## ■ VIENNA

● Schlosstheater at Schönbrunn has Mozart's Bastien und Bastienne, Der Schauspieldirektor and Le nozze di Figaro in repertory daily from Wed till Sun (0663-887063)

● Klangbogen: Vienna's summer concert series continues with a Bernstein concert tonight at Raimundtheater featuring Christa Ludwig as soloist with Schleswig Holstein Festival Orchestra, an operette gala tomorrow at Theater an der Wien with Barbara Hendricks and Sherrill Milnes, a Mozart, Haydn and Schubert programme with ASMF under Neville Marriner on Thurs at Theater an der Wien, and a Gillian Weir organ recital on Fri at Augustinerkirche. Aug 30: Tokyo String Quartet. Aug 31: St Petersburg Philharmonic. Sep 5: Barenboim conducts Vienna Philharmonic (4000 8410)

● Aida, starring Aprile Millo, opens the Staatsoper's new season on Sep 1. Donald Runnicles conducts a Ring cycle on Sep 5, 8, 12 and 19 (51444 2955)

## ■ STUTTGART

**LUDWIGSBURG FESTIVAL**

Neville Marriner conducts the Academy of St Martin in the Fields on Wed in symphonies by Mozart, Haydn and Schubert. Anne Sophie Mutter gives a violin recital on Thurs, followed by Shlomo Mintz on Sat and Gidon Kremer on Sep 3. The festival runs till Sep 26 (07141-949610)

## ■ ZURICH

**Tonhalle** Vladimir Krainiev plays all five Prokofiev piano concertos with the Tonhalle Orchestra conducted by Yuri Ahronovich, starting on Wed and continuing next Mon and Fri. Sep 6: Czech Philharmonic (261 1600)

**Opernhaus** The new season opens on Sep 1 with a revival of La forza del destino, followed by Lohengrin and Il barbiere di Siviglia. The first new production is Henze's Der Prinz von Homburg on Sep 12, starring Thomas Hampson (262 0909)

### ARTS GUIDE

**Monday:** Performing arts guide city by city.
**Tuesday:** Performing arts guide city by city.
**Wednesday:** Festivals Guide.
**Thursday:** Festivals Guide.
**Friday:** Exhibitions Guide.

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**Saturday Super Channel:** Financial Times Reports 0930
**Sky News:** West of Moscow 1130; 2230
**Sunday Super Channel:** West of Moscow 1830
**Super Channel:** Financial Times Reports 1900
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**Sky News:** Financial Times Reports 1330; 2030

# Games people play

**Judy Dempsey says Berlin's Olympic bid has exposed divisions**

An elderly, dapper American woman is fast becoming a cause célèbre in Germany. At the World Athletics Championships in Stuttgart last week, she was trying to convince the International Olympic Committee to stage the games in Berlin in 2000. During the next few days, she will be in Berlin to win over the sceptics to her cause. It is time, she says, for Germans to unite and make a final bid for the Games before the IOC makes its decision on September 23.

The woman is Ruth Owens, the widow of Jesse Owens, the black athlete who stormed to victory in 1936, when the Nazis staged the games in Berlin. "If Jesse were present when the final decision is taken on who will host the Olympic Games in the year 2000, I am sure Berlin would be his first choice," she said recently.

Berlin's chances for hosting the Games are slim, however. Sydney appears to be the favourite; Beijing and Manchester are strong contenders. But unlike the other cities which want to reap the glory and honour of hosting the Games, as well as profit from selling broadcasting rights, Germany's Olympic committee, and the country's industrial establishment, have a broader agenda.

For them the Games are a means to speed up unification. "We are not talking political unification. We are talking about what effect the Games in Berlin would have on the psychological unification, as well as improving the infrastructure in east Berlin and in other parts of eastern Germany," explained Mr Christian Fürstenwerth, the spokesman for Olympia GmbH, the public relations arm of Germany's Olympic committee.

Those firmly behind the Games include Mercedes Benz, Deutsche Telekom, Lufthansa, leading commercial banks, and Daimler Benz. German industry has already pledged DM1bn (£400m) in investments and promotion. "Berlin was the symbol of the great divide between east and west during the cold war," said Mr Bernd Stürzl, a Daimler Benz spokesman. "The games will represent the new unity, not only of Germany, but of Europe. It would provide such a big impulse for the psychological unity of the country," he added.

The desire to unite the two Germanys, not only economically and politically but also psychologically is a dominant theme among the Olympic supporters. But the fact that this impulse exists reflects the sense of malaise which followed the euphoric days of November 1989, when the Berlin Wall was dismantled. Since then, unification has often lapsed into recrimination and bitterness.

Easterners resent the way westerners look down on them, the closure of large sectors of manufacturing industry, and the "colonisation" of the five new states by western speculators. In the west, conversely, resentment focuses on the higher taxes earmarked for subsidising the east and bringing living standards up to western standards.

**'If the Olympics came here, it would prove that Berlin was again a normal city'**

In Berlin, the divisions are even sharper. West Berliners have lost the privileges which existed before the wall collapsed: lower taxes, exemption from military conscription and the loss of financial support from Bonn. East Berliners object to the high prices of food, rent and housing.

But would the Olympics help overcome the mutual suspicion between east and west Germans? Mr Klaus Harke, a member of Bündis 90/Green Party, the main opponent of the Games, believes the cost of staging the Olympics would create further resentment and, in addition, recall unpleasant memories of the 1936 Games.

"Many Berliners cannot deal with the changes. They already have to cope with too much. Everything is too fast for them. You can't expect them to lobby for the Olympics. With the Games, our city will be turned into a city of services, and nothing else. And then when the Olympics are over, all the promises about new jobs will not be realised," he said. "Look at Barcelona and Montreal. They are still paying back their debts from holding the Games."

Berliner Bank and Daimler Benz disagree. They believe the Games will cost about DM3.2bn, which would be financed though the selling of television rights, private investment and marketing revenues. More important, they argue that improvements to the infrastructure, including telecommunications, roads, sports facilities and housing, would boost long-term investment in the city.

"Red tape for planning permission would be cut if we had the Games here. We could really get a move on in developing the city," said an official at Berliner Bank. Investment would not be confined to Berlin. Sailing events would take place on the Baltic coast in the eastern state of Mecklenburg-Vorpommern, thus attracting a large injection of capital for tourist facilities. Other events would be staged in Brandenburg and Saxony. "The Games would boost the self-confidence of the easterners. Their cities would be visited," said Mr Stürzl from Daimler Benz.

"Look at the situation in Berlin since unification. It is already attracting people from east and western Europe," said Mr Fürstenwerth. "If the Olympics came here in 2000, it would prove that Berlin was once again a normal city. It would be at the heart of the united Germany."

However, the latter point is not welcomed by those in the western-most parts of Germany, particularly people working for the federal government in Bonn. "If Berlin gets the Olympics, it will be difficult for the government to find excuses not to move the entire administration to Berlin," said an economics ministry official. The government has already pledged to shift some department over the next few years. The date for the final move of the government will be decided this autumn.

The official added: "We have always used the excuse that the infrastructure in Berlin is very poor, and in any case, it would cost too much to move the government to Berlin. But if private investment helps prepare Berlin for the Games, that would probably precipitate the government's move over there. That's why I don't want the Games in Berlin."

**John Gapper on a UK merchant bank that almost foundered when it diversified in the 1980s**

# Calmer waters after the mutiny

At the start of the last century, the Baltimore linen trader and merchant banker Alexander Brown wrote a letter of warning against diversification to his son William in England. "If we look around here, we find that those persons who have steadily kept to one pursuit are far the richest men, and those who are interested with one another in different pursuits, no matter how profitable they may be, or may appear to be at first, are always ruined sooner or later," he wrote.

William took the advice, and abandoned plans to diversify the family business in Liverpool into insurance and land speculation. He concentrated on Brown Shipley, the family bank that came to rival Barings and Rothschilds in strength. For more than a century after Alexander Brown's letter, Brown Shipley remained a small, conservative merchant bank. But 190 years later, Alexander Brown's warning came catastrophically true.

Like one of the ships for which it used to accept bills of credit, it was wrecked in storms after losing its course, and finally suffering a fateful mutiny. The collection of disparate businesses that Brown Shipley had become was dismembered three months ago when its stockbroking business and holding company were sold. A year before, the merchant bank that produced two Bank of England governors and was once the workplace of former prime minister Sir Edward Heath, was bought for a token £1 by the Belgian bank Kredietbank Luxembourgeoise.

The story of Brown Shipley is not unusual. It is one of a thousand businesses that strayed into unknown risks in the 1980s. But there is a wider resonance for the City of London. Brown Shipley was a hallowed City name that prospered when the old merchant banks were more firmly regulated by the Bank. But it could not survive outside such shelter.

"With hindsight, the fundamental mistake was to diversify into so many scattered things, rather than building on its traditional merchant bank," says Mr Richard Mansell-Jones, who became the bank's chairman after the sale to Kredietbank. "I think Brown Shipley just sort of fell asleep really," says a former director.

The original business was based on Alexander Brown's cotton and linen exports to the Lancashire mills. His sons settled in New York, Philadelphia and Liverpool to handle the financing of trade. William founded an "accepting house," or merchant bank, that lent its name – and creditworthiness – to trade bills drawn by importers ordering from abroad.

This business remained profitable for nearly two centuries, but by the 1960s was fading as other forms of trade finance emerged. Other merchant banks moved into fee-earning business such as corporate finance and asset management. Brown Shipley chose a different course; it formed a holding company in 1960 to buy other lending operations, including leasing and consumer credit.

The bank's culture was by this time more staid than even Alexander Brown might have wished. This was epitomised by the football team. One player, Mr Geoffrey Bell, left the bank in 1963 and spent 18 years away before returning in 1981 to head the bank's treasury, and eventually become joint managing director. He found nine of the team's 11 members still there. "It was as if I had walked out of the office on the Friday, and just returned after a long weekend," he recalls.

He came back just as the old accepting houses were dealt a heavy blow. The Bank of England started to accept the bills of many banks authorised under the 1979 Banking Act on similar terms to the accepting houses. "If you were a small accepting house, you suddenly found yourself with no future, nothing," says Mr Bill Dacombe, who was brought in to try to save Brown Shipley a decade later as chief executive.

The holding company responded by diversifying further. It bought four small firms of regional stockbrokers in the mid-1980s. It remained in profit, but returns were poor, and capital was stretched. Kredietbank had by now emerged as the largest single shareholder, and was questioning the merchant bank's direction. Meanwhile, a group of the bank's directors was becoming discontented. They believed it should move more into fee-earning corporate finance.


Trevor Humphries
Geoffrey Bell is taking Brown Shipley back to its roots

The differences over strategy culminated in May 1988 with what one director calls a "palace coup". Mr John van Kuffeler, the bank's head of corporate finance, became chief executive. Lord Farnham, the executive chairman, agreed to give Mr van Kuffeler a free rein. Mr Bell was pushed aside into the bank's treasury. The company by now had 32 businesses, and capital of only £50m, £14m of which was the value of the headquarters building, Founders Court. Mr van Kuffeler tried to slim the group by selling the consumer credit arm.

But the bank's leasing arm was growing in the small company boom of the late 1980s, providing office equipment such as fax machines to companies in the south-east. It was also trying to raise returns by expanding some higher margin – and so risky – lending. The loan portfolio grew by 16 per cent in the year to March 1990, and it made a record £7.5m profit. The bank seemed to be strengthening, but it was running into two problems: the onset of recession, and growing tension between Mr van Kuffeler and Kredietbank.

Former directors say that Mr van Kuffeler wanted to sell the leasing arm, but was opposed by Kredietbank. The risky loans were turning bad and stockbroking trade was down, leading to a £3.34m loss in 1991. The night before the July annual meeting, Mr van Kuffeler was told that Kredietbank intended to cast its 29 per cent vote against his re-election as a director. He resigned, and is now chief executive of the consumer credit company Provident Financial.

By November, Mr Dacombe had been brought in. After a look at the books, he made a simple choice. "At my second board meeting, I told them we were heading for the shore as fast as we could paddle because there was a real risk that we were going down," he recalls. The first problem was its assets: both loans and leasing were deteriorating fast.

The second problem was liquidity. After the closure of Bank of Credit and Commerce International in July 1991, institutions withdrew funds from small banks. Mr Bell anticipated difficulty in May, and put 54 per cent of the bank's assets in liquid instruments such as certificates of deposit. That figure had fallen to 23 per cent by last July as the bank sold assets to match the £192m cash outflow. When it was finally sold, Bank of England supervisors invited its treasurers to lunch to celebrate the bank's survival.

The bank lost £27.1m in 1992, quartering its equity to £10.4m. Mr Dacombe had little choice but to sell up. He disposed of the leasing arm for £5.9m. Kredietbank paid £1 to inherit £14.7m of provisions, and £60m of problem loans. The sale of the bank broke Brown Shipley in two, and the holding company with its investment and broking arms was finally bought by Guinness Peat Group for £5.6m last March. Alexander Brown's warning had come to pass.

Today, Mr Bell is back in the managing director's office at Founders Court. Under his direction, Brown Shipley is returning to its roots in trade finance, accepting credit risk for commodity trade. "They call us the metal bank, the wool bank, the timber bank," he says. All loans over £2m now have to be approved by Kredietbank. Brown Shipley is expanding its private banking business, offering clients the prestige of cheque books bearing a gilded City name.

Mr Dacombe remains chairman of the Brown Shipley holding group. A portrait of Alexander Brown and his sons hangs by his desk. "I wonder what those old boys would have done," he muses. "They might have said: 'There's no money in being a small merchant bank any more. We've had a good run and we'll give up now'." But the warning in Alexander's letter had been forgotten by the time it encountered storms.



# LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Import rules are no solution

*From Prof Jagdish Bhagwati.*

Sir, C Fred Bergsten's article defending the setting of targets to increase imports by Japan is an unfortunate example of erroneous economics and partisan politics ("Good and bad managed trade", August 18).

Mr Bergsten seeks to argue that, for a free trader, setting voluntary export restraints (VERs) is wicked, whereas imposing voluntary import expansions (VIEs) is virtuous. VERs restrain trade, VIEs expand it; VERs create cartels; VIEs break them.

Balderdash. Both policies set traded quantities instead of defining trading rules. Where VERs are import protectionism, VIEs are export protectionism. The former give your producers a guaranteed share of the domestic market, the latter give them a guaranteed share of the foreign market. If VERs lead to cartels to allocate targeted reductions in exports, VIEs lead to cartels to allocate targeted increases in imports.

Mr Bergsten presumes that the VIEs will be set "judiciously", for short periods, and will be confined to Japan and to her "12 sectors", where he has now found to his satisfaction – and contrary to his earlier and long-held conclusion that earned him the wrath of the Japan-fixated Suslovs of the Clinton administration – that Japan is unfairly restricting imports. Of course, Mr Bergsten forgets that those who seek VERs also claim that Japan is unfairly expanding exports and that VERs are simply cutting them back to "appropriate" levels.

To look upon VIEs with indulgence while frowning on VERs is plainly wrong. It flies in the face of the historical reality. VERs, when begun, were also considered to be temporary and judiciously targeted at industries and nations. But they spread and grew into a systemic problem. It also ignores the current reality of spreading demands for VIEs beyond (the original) semiconductors to other products and of the threat by the European Community to follow the US in that event.

That the Republican administrations embraced VERs and initiated VIEs whereas the Clinton administration has not actually implemented any more of either is technically correct. But it is also misleading, if not disingenuous. The rhetoric and the oft-asserted objective of managed trade with Japan has left no one in doubt about what the US administration badly wants: a shift in the ground rules to targets. Has Mr Bergsten forgotten already the Miyazawa visit to Washington and the Tokyo Summit where managed trade, and even targets for surplus reduction, were assertively demanded of Japan?

If we have been spared these foolish policies we have to thank, not the Clinton administration, but the Japanese government. By saying no to these demands Japan has exercised the leadership that the US has abandoned.

Both countries need to turn energetically instead to the multilateral system, to strengthen the rules under General Agreement on Tariffs and Trade (instead of weakening them as the Clinton administration's negotiators are reputedly demanding at the Uruguay Round), and to seek resolution of trade complaints through the GATT's impartial dispute settlement processes that are symmetrically available to each against all others.

Mr Bergsten can do no better than to return to the ranks of those who seek those goals with clarity and commitment, instead of applauding and accommodating the managed-traders who, once properly on the fringe, now occupy centre stage in Washington.

Jagdish Bhagwati,
*Arthur Lehman professor of economics,*
*Columbia University,*
*New York,*
*NY 10027,*
*USA*

*From Mr Daniel Moylan.*

Sir, C Fred Bergsten's article presents a plausible case for the limited use of VIEs as a means of expanding trade, especially with Japan. But there are three significant faults in his argument.

First, in saying that VIEs enhance trade and should be applauded not condemned by free traders he fails to appreciate that free traders do not support an increase in international trade for its own sake. Rather, what we argue is that it is only possible to identify fully and capture the benefits of wealth-enhancing international trade within a free trade regime. Not all trade is wealth-enhancing; sometimes it is quite the reverse, either because of commercial misjudgment or government interference. The apparent rigour of Mr Bergsten's article is vitiated by the absence of any measure of whether particular VIEs would be wealth-enhancing or not. How would he go about finding out?

Second, like many other sensible people who share his view, Mr Bergsten devotes a significant part of his article to pointing out the dangers of VIEs and the limits that must be placed on their use. But he seems oblivious to the possibility that domestic producer lobbies and their trade unionist allies will succeed in capturing any measure designed to manipulate trade.

Mr Bergsten admits to unleashing a tiger but expects to control it by relying on the impartial prudence of governments. Is this a sensible risk to invite us to take? And what of its effect in undermining Gatt.

Lastly, Mr Bergsten is right to say that the Japanese economy would benefit from the removal of residual protection in Japan. But just because something is good for your neighbour does not mean he will not resist if you seek to force it on him. Increased Japanese assertiveness in declining to co-operate with US trade initiatives is hardly to be wondered at and illustrates the likely ineffectiveness of Mr Bergsten's remedies.

Cobden understood this. When Britain was moving over to free trade in the 19th century he argued against seeking even to persuade – let alone force other countries – to reciprocate on the grounds that to do so would only make the whole effort look like a British plot. Better let Britain adopt free trade in her own interests and let others learn from her example.

Although not guaranteeing success, that approach is a great deal more likely to be effective than coercion. At a time when the international trading arena is absorbing tremendous change, the very least that the US and Europe owe the rest of the world is the power of such an example.

Daniel Moylan,
*Egan Associates,*
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*London W8*

## Russia ready to move out of Lithuania

*From Mr Boris N Malakhov.*

Sir, I refer to your article "Russia interrupts troop withdrawal" (August 19).

Russia is ready to complete withdrawal of its troops from Baltic countries, including Lithuania, as soon as possible provided that, in accordance with CSCE Helsinki documents of 1992, the withdrawal is conducted on the basis of relevant bilateral agreements.

We would like to make it absolutely clear that it is not Russia that is responsible for the delay. For example, Lithuania, at the last moment when the agreement was practically ready for signature, changed its position. This led the negotiating process into a dead end.

The Russian side is ready to look for mutually acceptable solutions to the problem.

Boris N Malakhov,
*press councillor,*
*Embassy of the Russian Federation,*
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*London W8 4QX*

## Single currency essential to success of EC

*From Mr Peter Crowe.*

Sir, The débâcle of the exchange rate mechanism over the past year or so emphasises a very clear message from the business community: until costs and revenues are expressed in the same monetary unit the potential benefits of membership of the European Community will never be realised.

The lesson for the European Commission and the member countries should be clear: a single currency must be achieved as soon as possible. Without this, the EC will stagger on in disunity for the foreseeable future and may never achieve the desired economic benefits for its inhabitants.

Peter Crowe,
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FINANCIAL TIMES

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Monday August 23 1993

# Last lap in the Gatt race

PETER SUTHERLAND took over as director general of the General Agreement on Tariffs and Trade less than two months ago. But already he has injected urgency into efforts to complete the Uruguay round of multilateral trade negotiations by the end of the year. This was badly needed. But it will not be enough on its own. Also required is political commitment at the highest level. Failing that, what must surely be the last of the Uruguay round's many lives will be thrown away.

The director general's strategy has been in three parts. The first has been increased pressure on the negotiators. On July 28, the Uruguay Round trade negotiations committee (TNC) agreed an ambitious work programme, proposed by Mr Sutherland, which should keep its members busy until mid-October. As he remarked, "leaving problems for the eleventh hour is a recipe for failure. If we are to succeed in December, the eleventh hour is now."

The timetable is necessarily ambitious, because much remains to be resolved. Mr Sutherland stressed, for example, the importance of "using the month of August to receive instructions from capitals, to maintain the pace of bilateral exchanges of offers and to bring renewed expertise and flexibility to the negotiations in early September." The TNC is to reconvene on August 31, with the succeeding six weeks used to make progress on all aspects of market access before multilateralising the discussions in late October.

## Principal benefit

This is an almost heroically tight timetable. To make it look feasible, Mr Sutherland has also turned his hand to propaganda. The secretariat has produced two short reports, to remind politicians and the wider public of the costs of protection. The increase in imports that governments are accustomed to view as the cost of a trade deal is in fact its principal benefit. Meanwhile, protection forces what are often relatively poor consumers to subsidise bad jobs at the cost of better ones.

At this stage in the negotiations, such propaganda, though valuable, cannot be decisive. What matters most is political leadership. This then is the third part of Mr Sutherland's strategy. He has already reminded the world's leaders of the importance of this task, notably before the summit of the group of seven industrial countries in Tokyo last July. He insisted then that an agreement on market access had to be reached if the round was to be completed. Agreement, if still incomplete, was accordingly reached.

## Burden of blame

Everything now depends on Japan, the European Community and the US. Of these Japan is likely to prove the smallest obstacle. The new government is unwilling to liberalise imports of rice. But Japan can afford neither to watch the round collapse nor to bear the burden of blame for failure. Subject to the twin pressures of a strong yen and an irate US, the government must know that free trade abroad and deregulation at home will be its salvation. If unpalatable policies can be blamed on foreign pressure, all the better.

The European Community comes next in order of importance. But the EC needs a healthy multilateral trading system. The risk that bilateral trade disputes would otherwise shred the EC's common commercial policy has already been demonstrated by the German deal on telecommunications with the US. Moreover, apart from agriculture, no issue is likely to prove round-breaking for the EC. Even in agriculture only a collapse of co-operation between France and Germany seems capable of producing a rejection of what is likely to be on offer. Such a breakdown seemed conceivable when the narrow-band ERM dissolved, but looks less likely now.

The heaviest burden of responsibility rests on Mr Clinton, whose job it is to articulate the long-term interests of his country. The president has to decide whether or not to fight for a dynamic and open world economy. The Uruguay round is more important economically and probably more important politically than the North American Free Trade Agreement. If Mr Clinton fails to show the required leadership in the next few months, the round will fail. These decisions cannot be evaded. His presidency will be judged by how he takes them.

# Paying for universities

BRITAIN'S university vice-chancellors should be congratulated for grasping a political nettle. Their report, which last week outlined four "painless" methods for students to pay towards their tuition, at last forces the government to confront an issue which has caused it deep embarrassment in the past.

But the need for a debate over higher education goes further than funding. University expansion – which has seen the numbers in higher education rise by 46 per cent in four years, despite a decline in the number of 18-year-olds – has been the most important, undiscussed policy change of the last four years.

Neither policymakers nor educationalists seem to have given any thought to the kind of higher education system they wish to emerge. But such a vast expansion will inevitably bring with it greater diversity of provision. With one in four, rather than one in seven, of the relevant age group now involved, a similar diversity in quality also seems inevitable.

The mass systems of France and the US offer examples which the UK could follow. Should the UK move towards a norm where most students go to their local university, with only a gifted elite travelling to acknowledged centres of excellence?

Alternatively, those universities with the strongest international research reputations could be allowed to concentrate on research by becoming graduate-only. Regional universities would then be freed to put most of their resources into teaching.

## Fair and efficient

Either course should allow a significant improvement in education for those students who previously would have left education altogether at 18, while leaving the best features of higher education unblemished. Access to the true elite institutions, at the graduate level, might become more open than it is now.

One likely consequence of such a system is that different universities would set different fees, which would have to be paid by students. This may sound anti-egalitarian, but few complain about the American system, where the most able graduates of excellent and cheap state universities can move on to Ivy League law schools.

None of these choices will be saleable unless the method of payment is fair and efficient.

That means adopting the income-contingent loans used in three of the vice-chancellors' four proposed new methods of funding. The "graduate tax" which would ask all graduates to pay a higher rate of income tax for their entire working lives, is unwieldy and unlikely to be politically acceptable. It can safely be ignored.

## Middle-class parents

Under an income-contingent loan, students would be charged a fee, which would be paid for them at point of entry by the state. They would repay the loan, which would be at a subsidised rate of interest, by paying a higher rate of national insurance or income tax, once they had graduated.

The government may feel nervous about making students pay for tuition. After all, Sir Keith Joseph's proposals for tuition fees in 1984 were scuppered by Conservative backbenchers in an alliance with middle-class parents.

However, income-contingent loans differ from the Joseph scheme in several vital respects. First, parents would feel less threatened, because students would not be assessed on the basis of their parents' income before they matriculate. Repayments would not need to be made until the student had started earning.

Second, loan repayments would be contingent on income. Graduates would not therefore be deterred from opting for a low-paid career. Those who do so would be allowed to take longer over making their repayments.

Third, by using the tax system these loans would be simple and cheap to administer. This compares favourably with the Joseph tuition fees and with the current loans for student maintenance, which the Student Loans Company, rather than the Inland Revenue, must enforce.

Once the government has given the universities the help they need by establishing income-contingent loans, it should decide what role it wants the expanded higher education system to play. That question is more difficult, but its importance is profound.

# High stakes test of patience

## The holiday is over for the French government, as it tackles unemployment and recession, says John Ridding

The holidays are over for Mr Edouard Balladur and his government. The French prime minister has returned to Paris from his vacation home in Chamonix in the French Alps to launch what he has described as "a new phase in the action of the administration".

This new phase will be mapped out today in a cabinet meeting. It will determine the course of the Balladur government, which faces increasing pressure to resolve France's unemployment problem and to revive the recession-hit economy.

The risk for the prime minister is that, for the French public and for members of his Gaullist RPR party, his new phase may not seem new enough. With presidential elections due in 1995, his continued commitment to anti-inflationary policies and to the maintenance of a strong franc may test their patience.

Mr Balladur's next steps will centre on a series of structural reforms. At the top of the agenda is the fight against unemployment, which currently stands at a rate of 11.6 per cent of the workforce and is forecast by Insee, the national statistics institute, to rise to 12.5 per cent by the end of the year.

The government's response is a five-year plan to create jobs, unveiled last week by Mr Michel Giraud, the labour minister. The principal elements include:

- The transfer of social security charges from employers to the government for families of workers earning up to 1.5 times the minimum wage. The measure is intended to reduce the costs facing employers and to encourage them to increase their workforces.
- The replacement of the 39-hour working week with an equivalent hourly total for the year. This is designed to increase the flexibility of production by allowing companies to work longer in any one week and to reduce overtime payments.
- Exemptions for employers from payment of social security taxes for up to five years for the first three extra workers they hire.

The labour market reforms are to be combined with a fiscal stimulus aimed at reviving consumer demand. This is expected to involve a cut in income taxes. In a television interview earlier this month Mr Balladur said that a reform of the income tax system, which he described as one of the most complex in the world, should "permit the middle classes and those with average salaries to have their charges reduced".

Government spending is also being raised in an attempt to revive the economy. The proceeds of the "Balladur bond" issue, which raised about FFr110bn (£12.5bn), three times more than the target amount, will be used to fund public works and construction projects. As with the income tax reforms, details of the spending plans will be outlined in the budget for next year, to be presented to the National Assembly in the autumn.

The various measures are, however, unlikely to have a rapid impact on unemployment. The job creation schemes are a medium-term plan rather than a short-term stimulus and leave untouched the controversial minimum wage level.

The minimum wage, or Smic, currently stands at FFr5,880 a month and is regarded by French industrialists as one of the principal obstacles to increased employment. "It sets an expensive floor for hiring workers," said the finance director of one manufacturing company.

Mr Balladur appears to have ruled out reform of Smic on political grounds. "I will not take responsibility under the pretext of fighting a crisis for destroying the system of social protection in our country," he said this month.

Despite his reluctance to undermine France's social security system, trade unions have reacted angrily to the plans. The general-secretary of the CGT, one of the largest union groups, echoed counterparts in describing the proposals as "one of the most serious aggressions to be launched against workers".

The limits of the plan and the fact it is to be implemented over five years mean that unemployment is expected to rise further. "He is right to focus on the structural problems of the labour market in France," said one French economist, "but I don't think we are likely to see any stabilisation in unemployment until the first half of next year."

The fiscal measures are also constrained. Mr Jean-François Mercier, chief economist at Salomon Brothers, the merchant bank, estimates the government's budget deficit target of FFr317bn this year is unlikely to be achieved, and forecasts a shortfall of about FFr350bn. The scope for cutting taxes and stimulating growth is consequently limited.

That leaves monetary policy as the remaining means to stimulate the economy. But since the effective collapse of the ERM at the beginning of the month, which widened the franc's fluctuation bands within the exchange rate mechanism from 2.25 per cent to 15 per cent, the Bank of France has followed a step-by-step approach to reducing borrowing costs.

This cautious reduction of interest rates is partly a reflection of Mr Balladur's commitment to a strong franc. But it also reflects determination to preserve the process of European union, despite the damage sustained by the ERM.

**The challenge Mr Balladur faces is to contain pressures for change while the economy stabilises**

Mr Balladur will meet Chancellor Helmut Kohl of Germany on Thursday and is expected to emphasise France's commitment to the existing timetable for European monetary union which calls for a single currency to be introduced by 1997 or 1999 at the latest. He may also discuss the prospects for a return to tighter exchange-rate fluctuation bands and reform of the ERM rules to increase co-operation between ERM members in support of their respective currencies.

Mr Balludur's German hosts would probably resist such a reform, but they might make the French prime minister's journey easier by announcing a cut in interest rates. Even without one, France would appear to have some rom for manoeuvre on cutting borrowing costs. The franc has responded well to the recent cuts in the 24-hour rate (the overnight lending rate to commercial banks), and stands at less than 3 per cent below its previous ERM floor rate of FFr3.4305 to the D-Mark. But the new exchange rate framework remains fragile and French monetary officials reject any swift downward move.

The constraints on fiscal and monetary policy suggest there is little reason to expect a rapid economic upturn. Mr Mercier at Salomon Brothers, in common with most private-sector economists, predicts a contraction of gross domestic product of about 1.5 per cent this year, a view which is supported by French business. A survey this month by Insee found that industrialists do not expect demand to recover until the fourth quarter of the year; they expect to continue to reduce staff levels.

This all adds up to a dilemma for the French prime minister. Continued recession risks erosion of support for his conservative government. A change of tack risks the loss of credibility. The challenge he faces is to contain pressures for change while the economy stabilises.

So far, the debate concerning a move to a British-style policy of devaluation and rapid interest rate cuts has been limited to the press. A letter in Libération, the French daily, signed by a group of French bankers, condemned "the ayatollahs of the strong franc" who, they said, had failed to respond to the failure of the ERM and to adopt a more expansionary policy.

The problem for Mr Balladur is that such views are not confined to business but are heard even within his own party. Mr Philippe Séguin, president of the National Assembly, is a longstanding advocate of devaluation and expansionary policies. Mr Jacques Chirac, the leader of the RPR who has his eyes on the presidency in 1995, is also thought to favour a more growth-orientated economic policy.

Responding to the outcome of the ERM crisis, Mr Chirac said: "France has found again in the management of its economy the freedom it needs to fight for jobs."

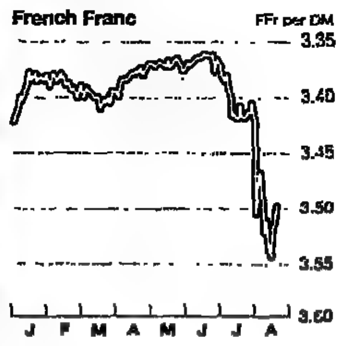
No one is yet prepared openly to challenge the prime minister. Splits within the ruling RPR-UDF coalition would be damaging in the run-up to presidential elections as demonstrated by the failure of the right to unite in 1981 and 1988, which handed consecutive victories to the Socialists.

But with politicians returning from the summer break, with the trade union movement showing signs of unity in the face of the planned labour market reforms and with a new influx of students about to attempt to enter the depressed labour market, the pressures for change are likely to increase.

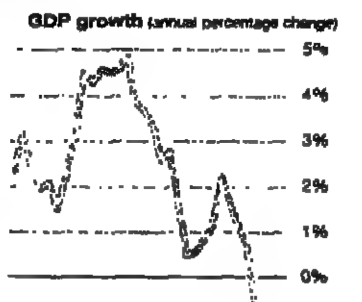
Mr Balladur, with an approval rating of more than 50 per cent in opinion polls, remains the most popular prime minister in postwar France. His ability to ride the challenges expected in the autumn will determine whether the political honeymoon, like the holiday season, is drawing to a close.

**French economy: end of the honeymoon**

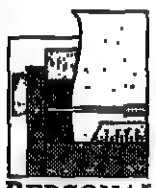
Prime minister Edouard Balladur








# Still on track for a single currency



PERSONAL VIEW

The old, revilled exchange rate mechanism proved to be "half baked" as a stage towards a single European currency. But we should not forget its benefits during the 14 years that it lasted. It helped get inflation down, and it gave many banks windfall profits during the recession. Above all, it gave us five years of currency stability when the single market needed to demolish trade barriers.

The new, floating ERM could result in competitive interest rate cuts, devaluations and protectionist responses inimical to further progress of the single market. A return to autarkic nationalism can be avoided only if the new ERM is used by governments as a more effective stage towards the single currency than the old one. The case for one market, one money, is as strong as ever.

The old ERM required fixed, nominal exchange rates as a condition of entry into the single currency. What membership of a single currency area needs, however, is fixed real exchange rates. Otherwise misaligned exchange rates cause countries to become uncompetitive and to be a financial charge on their neighbours. Fixed real exchange rates, with nominal rates adapting to reflect changes in relative competitiveness, are arguably a better preparation for a single currency than fixed nominal rates.

The upheavals of September 1992 and the realignments that followed left the exchange rate structure with better relative competitiveness between countries. If inflation continues to be low and convergent, in the 2-4 per cent range in leading countries, nominal exchange rates may not need to change much for the next few years.

The move to 15 per cent bands with no change in central parities – the one option that none of the experts foresaw – may come to be seen as an inspired leap in the dark. It preserves the letter of the system while changing the spirit. Under the terms of the Maastricht treaty it will be sufficient for countries to remain within the 15 per cent bands, which will be wide enough for them not to need to change central parities because of divergences in short-term interest rates.

If countries can achieve the low inflation criterion, then they can remain competitive with only minor nominal exchange rate fluctuations.

**A strategy of this kind could see the single currency rising like a phoenix from the ashes of the old ERM**

The rate at which they enter the single currency will, according to Maastricht, be the prevailing market rate and not the central parity.

The new ERM will allow other countries to follow Britain's lead in cutting interest rates. Even if this results in short-term weakening of their currencies against the D-Mark, countries such as France can also expect to follow the UK in seeing their currencies rise against the D-Mark because of higher growth and lower inflation than Germany.

A general loosening of monetary policy will both require and facilitate the tightening of fiscal policy that many EMS countries are now undertaking. As the recovery gathers pace, it will bring about a cyclical reduction in deficits and make it easier to carry out structural deficit cuts without aborting expansion and incurring political odium.

A strategy of this kind could see the single currency rising like a phoenix from the ashes of the old ERM. The UK is again in danger of being isolated by over-estimating the difficulties of monetary union, and under-estimating the political will of its partners to achieve it. With barely concealed *schadenfreude*, it appears to be advising other members of the convoy to slow down to its own pace.

So what should Britain do to be at the heart of Europe?

1. Join the ERM at about DM2.50 as the central parity. The 15 per cent bands have removed any constraint on freedom to cut interest rates, while maintaining a discipline to prevent a lapse into double-digit inflation as in the late 1980s.
2. Discuss with other ERM countries plans to move to a single currency by 1997 or 1999. The UK may not decide whether to opt in until 1998, but it must make sure that monetary union suits its interests as much as those of its partners.
3. Drop the plan for a hard Ecu. It is even less viable in a floating monetary system than in a relatively fixed one. It would confuse the markets to have the hard Ecu alongside the existing Ecu, making not one but 14 currencies. The existing Ecu could be hardened, but there is a case for keeping the present basket definition, which has so far won the day. The hard Ecu would be seen by others as an attempt to lead them off the trail to a single currency.

**Christopher Johnson**

*The author is UK adviser to the Association for the Monetary Union of Europe, and chairman of the British Section of the Franco-British Council*

# OBSERVER

## Mine's a conglomerate

■ How 68-year-old Colin Draper, former boss of Thomas Tilling in the US, got involved with his latest venture is one of those tales which will be better understood in the bar of the local golf club than in the City of London.

Draper, who was awarded a CBE for his work in improving Anglo-American commercial links, wanted to return to England after 17 years in the US. At the same time an old colleague, Arthur Slater who once ran Tilcon, had a problem. He and a group of wealthy Britons owned a country club in the Portuguese Algarve which they wanted to develop.

If only the project could be linked to their other private interests with strong cash flows, they would have a bankable project. A few dry sherries later and they had a conglomerate with interests ranging from a 50 per cent stake in a Siberian coal venture, to a hand gun manufacturer and the rights, in perpetuity, to stage the European Open golf championship. All that was lacking was management and a share quote.

Enter Draper, followed by Ross Perot henchman Richard Poulden, 42, and Barbara Cartland's son Ian McCorquodale, 55, who is chairman of Debrett's Peerage. They will run the show after the European investors have injected their $250m of assets into Colorado's Caspen Oil in return for 175m shares. The headquarters will move to London and, hey presto, a tiny, loss-making oil company will be transformed into an acquisitive international conglomerate.

A lot will depend on Caspen's projected strong cash flow living up to expectations. But the promoters have high hopes for their Russian venture, in particular. When the five coal washers have been bought and installed, Caspen has been guaranteed total profits of $21m a year for five years.

It sounds like the sort of idea that Lord White, Hanson's 70-year-old US chief, might have thought up before he joined the establishment. Even so, it seems a jolly complicated way of financing a golf club in Portugal.

## Monks' outing

■ Watch out for young John Monks, the TUC's new general secretary. The wraps are already being taken off the man who has been given the thankless task of dragging Britain's trade union movement in from the cold.

Anna Ford gave Monks a chance to show his paces on BBC breakfast TV yesterday and Observer hears that Monks will give the keynote speech at next month's Trades Union Congress. The TUC has had to bend its hallowed rules since Monks does not take over officially from Norman Willis until the end of Congress on the Friday. Traditionally, the new general secretary has to wait a further year to speak to the delegates.

But union leaders have had enough of the barren Willis years and can't wait to hear a new voice at the head of the TUC.


'I hope we don't end up being run by the UN'

## Just kidding

■ Smith New Court obviously likes the sound of Chiltern Radio. The firm's latest research on Chiltern, called "The only way is up", carries the immortal line "the shares have fallen by over 100 per cent in the last year and now look cheap".

Perhaps the offending analyst should follow the example of Capital Radio's David Jensen, whose photo adorns the report, and seek alternative work as a disc jockey. He would be guaranteed a better reception.

## Roche the video

■ Talking of stockbroking analysts who fancy themselves as media stars, has anyone caught the latest edition of The Roche Report on the Ukraine?

Morgan Stanley strategist David Roche has made a video of himself talking to the top nobs in the Ukraine and the people on the streets, titled "Ukraine: the big, the bad and the beautiful."

Roche says that it is part of an effort to "embrace the multi-media technology" which will be available to information consumers in the next five years. In fact, the reason is much more down to earth. Britain's ITN, which is a bit strapped for cash, used Roche to front a report from Moscow last year, part of which went out on News at 10. It offered to pick up the cost of filming his Ukraine visit in return for a few free sound bites.

## Enterprising

■ Jacques Attali is no longer president of the European Bank for Reconstruction and Development but tales continue to surface about his high-handed approach to business life. Take the saga of how Attali lost his own battle of Trafalgar despite having superior firepower on his side.

Early on in the EBRD's long campaign to find the right sort of London headquarters, Attali set his sights on a newly refurbished property overlooking Nelson's column in Trafalgar Square. Called Grand Buildings, appropriately enough, it was next door to Whitehall, parliament and the City, not to mention the West End.

Unfortunately, the building was occupied by Enterprise Oil and when Attali broached the subject of whether the company might like to serve its country by moving out, he got a polite refusal. Attali did not give up and in a fairly short space of time Enterprise had been contacted by Sir Evelyn de Rothschild, the Bank of England and Number 10 Downing Street.

However, Enterprise refused to budge and eventually Attali sailed away in search of easier targets. Given that Elf Aquitaine, France's biggest state-owned company, is Enterprise's biggest shareholder, the company's bravery in the face of such odds would have deserved a mention in dispatches in Nelson's time.

## Words fail me

■ What lives in Jurassic park and has an amazing vocabulary?
Roget's Thesaurus.

FINANCIAL TIMES
Monday August 23 1993



# Rates and rafting in the Rockies

## Michael Prowse on the monetary truce called at Jackson Hole, Wyoming

CENTRAL BANKERS and financial market "speculators" called a truce this weekend when they gathered at Jackson Hole, Wyoming, for white-water rafting, western barbecues and breakfast trail rides.

Senior monetary officials spoke of the need to enlist markets as "friends rather than enemies". Referring to the effective collapse of the Exchange Rate Mechanism, Mr Michael Mussa, research director at the International Monetary Fund, quoted Shakespeare: "The fault, dear Brutus, lies not our stars but in ourselves."

Leading financial market analysts, meanwhile, complimented the US Federal Reserve on its adroit handling of monetary policy, which had struck exactly the right balance between the risks of recession and inflation.

The excuse for the frolics was the Federal Reserve Bank of Kansas City's annual monetary symposium, one of the most popular conferences on the international circuit because of its all-star cast and spectacular location high up in the Rockies.

Some notables dropped out at the last moment. Mr Larry Summers, US Treasury under-secretary, stayed in Washington to mastermind attempts to halt the dollar's long slide against the yen. Mr Hans Tietmeyer, vice-president of the Bundesbank, sent a detailed statement contradicting most of the views of his American hosts, but stayed away.

European participants focused mainly on the role that speculative capital flows played in helping undermine the ERM. Many seemed convinced that fixed but adjustable systems like the old ERM were no longer feasible: logic dictated either freely floating or irrevocably fixed rates. A gradual approach to eventual monetary union was no longer possible.

> Particularly worrying was a decline in the market share of commercial banks and a surge in personal holdings of risky assets

Mr Jacob Frenkel, governor of the Bank of Israel, urged ERM members to consider reforms based on Israel's innovative approach to currency management.

Israel allowed its exchange rate to fluctuate in a narrow band around a central parity which is adjusted regularly to reflect the difference between the targeted inflation rate in Israel and that expected in its main trading partners. This compromise had allowed Israel to maintain steady downward pressure on inflation while sustaining robust economic growth.

Americans were mainly preoccupied by the effect of financial innovation in destabilising capital markets and the economy. Particularly worrying was a sharp decline in the market share of commercial banks and a corresponding surge in personal holdings of risky assets such as stock and bond mutual funds and pension fund assets – which now account for 32 per cent of household assets, double the 1980 ratio.

Mr Henry Kaufman, the Wall Street analyst, argued that households' increased exposure to financial risk meant consumer spending, hitherto stable, could become much more volatile, greatly complicating efforts of policy makers to smooth economic fluctuations.

Others noted that no lender of last resort facilities existed to counter the equivalent of "bank runs" affecting these risky household assets.

Mr Robert Johnson, of financier George Soros's fund management group, said the biggest systemic risk over the next five to seven years lay in the possibility of defaults on government issued bonds. Depressed economic conditions were leading many governments to compensate for tight monetary policies by running "excessively loose fiscal policies". Yet bond investors seemed oblivious.

There was disagreement about conduct of monetary policy. Most Americans agreed that financial innovations had destroyed the credibility of monetary targets and made ad hoc policies, involving reliance on a broad array of indicators, inevitable.

Mr Tietmeyer, however, said in prepared remarks that money supply targets still worked well in Germany and would not be dropped. He noted that the Bundesbank, unlike Anglo-Saxon central banks, had suppressed financial innovations likely to destabilise monetary policy. If the EC attained monetary union, money supply targeting would also be a sensible way to run European monetary policy, he said.

Bonn and Paris try to mend fences, Page 2
US rates 'not seen as target for policy', Page 3

# BAe in joint venture talks with Taiwan

By Daniel Green in Taipei

MR JOHN CAHILL, chairman of British Aerospace (BAe), is expected to hold a series of meetings today with Taiwanese politicians, bankers and industrialists in an attempt to resolve outstanding differences over a proposed £250m ($372.5m) joint venture to build passenger aircraft.

Senior officials of Taiwan Aerospace Corporation, BAe's partner in the proposed venture, confirmed yesterday that talks with Mr Cahill will concentrate on bank financing of the deal.

The joint venture, called Avro, is a pillar of Mr Cahill's recovery strategy for BAe. The range of regional jets that would be partly manufactured in Taiwan currently loses money for BAe.

For Taiwan, the project would provide a rapid route to understanding western aerospace technology and techniques of aircraft financing, such as leases.

Discussions between Mr Cahill's team and the Taiwanese will centre on "differences in banking laws between the UK and Taiwan", said a senior vice-president of TAC.

These relate to the nature of Avro's collateral against loans from Taiwanese banks. The state-owned Chiao Tung bank, which is leading the lending consortium, will have a significant stake in Avro. But Taiwanese banking law prohibits any bank from making unsecured loans to a company in which it has more than a 3 per cent stake. It is unclear if Avro's assets – BAe property, plant and equipment in the UK – qualify as collateral.

A deal to establish the joint venture was signed in January by Mr Cahill and Mr Denny Ko, TAC's president. Both companies have laboured to finalise the arrangements, sometimes against scepticism from Taiwanese banking officials who question the sales potential of the aircraft.

Further details of how Avro would be managed also emerged yesterday. The aim of the venture is to produce an entirely new passenger jet aircraft with two engines rather than the four on BAe's existing regional jet aircraft, the RJ series.

TAC regards modern engines as reliable enough for a twin-engined aircraft to operate from the remote regions for which the RJ series and its predecessor, the 146, were designed. The new aircraft, the RJ-X, would be 25 per cent built in Taiwan and 25 per cent in the UK. The remainder – wings, engines and avionics – would be built by US companies.

# France and Germany meet on Emu

By John Ridding in Paris
and Judy Dempsey in Berlin

FRANCE and Germany will this week make a concerted effort to improve their relations, and maintain the momentum of European monetary union, in spite of the recent upheaval within the European Monetary System.

Informal talks are to be held between Mr Klaus Kinkel, the German foreign minister, and Mr Alain Juppé, his French counterpart, in Dresden on Tuesday, before Germany's Chancellor Helmut Kohl meets Mr Edouard Balladur, the French prime minister, in Bonn on Thursday.

The two sides seem certain to discuss ideas to bolster the EMS, and maintain the timetable towards the ultimate ambition of a single European currency.

Mr Kinkel insisted in a radio interview at the weekend that the new wide margins for currency fluctuation introduced into the European exchange rate mechanism would help relations. "We have achieved a flexibility... that will, I hope, help us to achieve currency union through the EMS," he said.

France, however, will be looking for reassurance that Germany is not starting to question the Emu timetable, following Chancellor Kohl's admission that the process could slip "by a year or two". German officials have since stressed that he was simply referring to currency union by 1999, the ultimate goal of the Maastricht treaty, instead of 1997, the first target date.

Mr Kinkel repeated the suggestion made by Mr Kohl that if the precise timescale of Emu could not be maintained, "that would be no tragedy". He added, however, that for the time being "we should plan to keep within the timetable" agreed within the Maastricht treaty.

The two sides are also likely to discuss their continuing divide over ways of bringing the negotiations in the Uruguay round of world trade talks to a conclusion by the end of the year.

France will also be hoping for signs of an easing of German monetary policy which would help France reduce interest rates and stimulate its recession-hit economy. The policy-making council of the Bundesbank meets on Thursday and a German rate cut would ease bilateral strains.

Balladur's challenge, Page 11

# Japan surplus

Continued from Page 1

free up imports.

Although aides were playing down expectations of further initiatives in the speech, it will be followed by two days of questions in the Diet (parliament) which may clarify government economic thinking.

It comes as some members of the new cabinet, among them Mr Kumagai, are stepping up calls for an interest rate cut and a public spending programme to boost domestic demand.

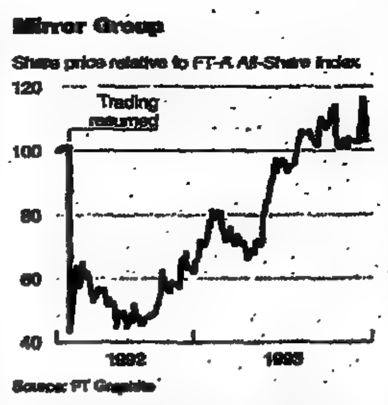
The appreciation of the yen by some 16 per cent against the dollar this year has battered Japan's export competitiveness but has also swollen the bilateral trade surplus in dollar terms. The yen touched a record Y100.40 to the dollar on Thursday before the US Federal Reserve intervened.

THE LEX COLUMN

# Mirror in the frame

The administrators who control 55 per cent of Mirror Group Newspapers' shares will be furiously puzzling about when to dispose of their stake. They must be happy enough with management's ferocious assault on MGN's costs and the progress of its shares. But they are not long-term shareholders. And a surging stock market, a series of suspiciously upbeat stockbrokers' circulars and a sprightly set of interim results next month could prove an irresistible temptation to sell.

The counter argument is that nothing will be lost by waiting. Indeed, MGN's shares should be worth considerably more next year. The company's aggressive management is steadily improving earnings. Any pick-up in advertising volumes adds that splash of recovery appeal. But at some point the market will switch its focus from the short-term profits bounce to the long-term sales trend. Here, the outlook is far less rosy. Tabloid newspaper sales are in decline. The Daily Mirror's circulation has fallen 40 per cent over the past 30 years. News International has recently added to the pressure by cutting The Sun's cover price to 20p. Although this does not appear to have damaged MGN greatly, it must have ruled out any price rises for a while. Meanwhile, the possible imposition of value-added tax on newspapers in the November Budget threatens margins. Cyclically depressed newsprint prices have only one way to move. On the basis that it is better to travel hopefully than to arrive, the administrators may well conclude that this autumn would be a good time to sell.



Source: FT Graphite

## German chemicals

The disintegration of the ERM could hardly have come at a worse time for the German chemicals industry. Petrochemicals are blighted by overcapacity, agrochemicals are in decline thanks to reform of the Common Agricultural Policy, and pharmaceuticals are being depressed by government reforms – most notably in Germany itself. These factors matter in different measure to the German chemicals giants: BASF is most geared to bulk chemicals, Bayer to pharmaceuticals. The depreciation of other European currencies against the D-Mark is painful for all.

The half-year results season is unlikely, then, to bring much cheer. The big gains would come from a rise in commodity chemicals prices from the current depressed levels. Tentative price rises seen earlier this year fell back with the oil price. With industrial demand for plastics weak and fresh capacity still coming on stream – BASF's Antwerp petrochemical complex is scheduled to open at the end of the year – any sustained improvement looks some way off. This autumn's round of contract negotiations is unlikely to provide relief.

Still, the trend towards asset swaps and joint ventures is encouraging. Hoechst's recent merger of its agrochemicals interest with Schering and BASF's proposed acrylic for polypropylene swap with ICI might open the way for more rationalisation and cost-cutting than has been in evidence until now. While the currency markets are working against them, though, it will take more of the same to restore the competitive position of the German chemicals industry.

## US economy

Jackson Hole, Wyoming, is a pleasant enough place for Federal Reserve governors to spend a weekend ruminating on the prospects for the US economy. Given the forces currently at work on the US economy, however, Tokyo or Paris might have been more relevant places to meet. The US has happily watched the yen appreciate all year, presumably on the theory that this will put pressure on Japanese exports and force the Japanese to reflate their economy. Yet that is to reckon without the scarring experience of the bubble economy, the caution of the new government or the shift of Japanese manufacturing into other Pacific rim economies with currencies linked to the dollar.

The weakness of US exports to Europe is another reason to suppose that the Federal Reserve cannot rely on export strength to power the US recovery. The dollar has hardly gained a competitive edge against European currencies this year, and continental European demand remains very weak.

Admittedly, with expectations of US growth slowing, monetary aggregates hardly suggesting a strong upturn, and the budget deal adding to tax bills, Fed governors have plenty of domestic problems to address. The rally in the Treasury bond market suggests that inflation offers no sustained threat, and the Fed may have questioned its bias towards raising interest rates at last week's Open Market Committee meeting. That leaves the stock market caught between an inflow of funds, and the fading prospect that earnings increases will be fuelled by sales growth rather than cost-cutting.

## Pharmaceuticals

Glaxo's accumulation of a large cash pile may look odd for a company with such declared faith in the future of research. The impending legal judgment on the validity of the US patent for Zantac, the world's biggest-selling drug which accounts for about two-thirds of Glaxo's profits, may be a partial explanation. The derating of earnings from Zantac ahead of the court case has certainly contributed to the weakness of the shares, which now account for 4 per cent of the FT-SE 100 index, down from 7 per cent at the peak.

If Zantac is open to generic competition, sales and profits would be quickly eroded. While a £1.5bn cash pile looks excessive by most standards, the group's research effort would consume as much within three years. That would be a valuable breathing space should the worst happen. If Zantac's future is secured, though, adding to the cash pile will be more difficult to justify.

An acquisition outside ethical pharmaceuticals has been ruled out. The choice is thus between ploughing more into research – directly or by acquisitions in, say, biotechnology – or distributing more to shareholders. The dilemma is by no means unique to Glaxo. In the short term other drugs companies can legitimately argue that cash is an advantage as the industry restructures. Merck's acquisition of Medco, the drugs distributor, is a case in point. But if earnings growth from pharmaceuticals is going to be lower than in the past, the case for providing higher investment returns by way of yield is compelling.

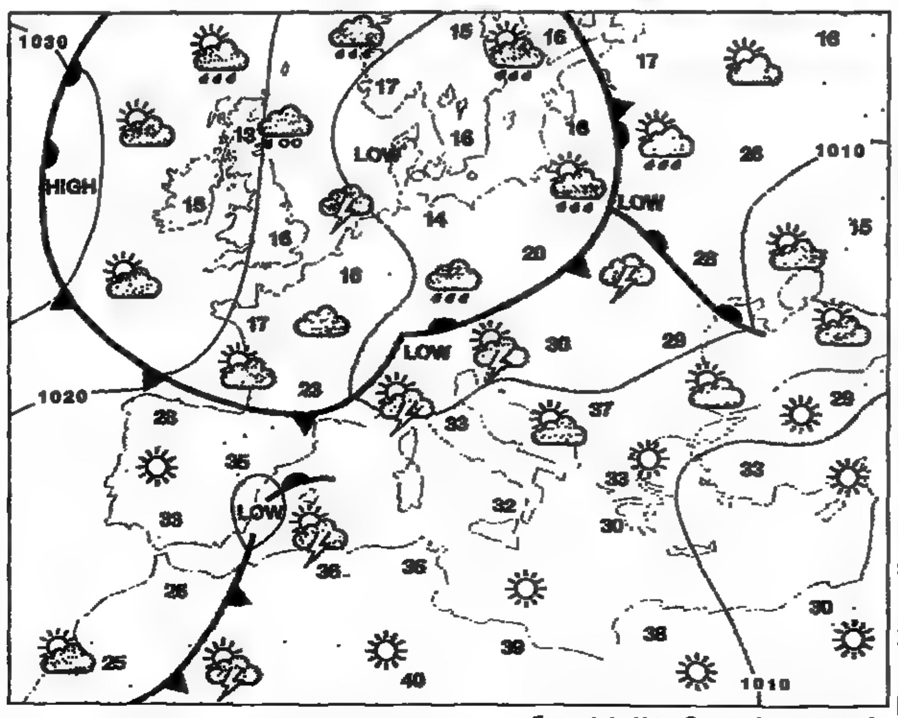
## FT WORLD WEATHER

### Europe today

A series of depressions over the northern half of the continent will cause inclement conditions in northwestern Europe. Near a high pressure area over the north Atlantic, a surge of unseasonably cool and unstable air from the north will cause showers with small hail, thunder and gusts. In Scotland, especially over the Orkneys and the Shetlands, showers can be quite heavy. Warm and sunny conditions will persist in most of the Mediterranean. However, thunder showers will linger at the east coast of Spain and in northern Italy. Unseasonably cool conditions will cover the northern UK and northern Scandinavia.

### Five-day forecast

A wavering boundary between cool and warm air masses will trail over the Alps and the western CIS. This frontal zone will move into Greece and Turkey later this week. As a result, numerous thunder showers will produce copious rain, especially in the southern parts of the Alps. In north-west Europe, cool air will continue to spread across the continent, but showers will become less frequent. The cool air will eventually reach southern Europe as well keeping afternoon temperatures below 30C in Spain and Italy.




TODAY'S TEMPERATURES

Forecasts by Meteo Consult of the Netherlands

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 41 |
| Accra | cloudy | 28 |
| Algiers | sun | 36 |
| Amsterdam | hail | 15 |
| Athens | sun | 32 |
| B. Aires | fair | [illegible] |
| B'ham | shower | 15 |
| Bangkok | shower | 31 |
| Barcelona | fair | 29 |
| Beijing | thund | 30 |
| Belfast | fair | 15 |
| Belgrade | fair | 35 |
| Berlin | shower | 15 |
| Bermuda | thund | 29 |
| Bogota | fair | 18 |
| Bombay | shower | 30 |
| Brussels | shower | 15 |
| Budapest | thund | 29 |
| C.hagen | shower | 15 |
| Cairo | sun | 34 |
| Cape Town | fair | 22 |
| Caracas | shower | [illegible] |
| Cardiff | shower | 15 |
| Chicago | thund | 30 |
| Cologne | shower | 20 |
| D' Salaam | fair | 28 |
| Dakar | fair | 31 |
| Dallas | fair | 37 |
| Delhi | fair | 37 |
| Dubai | sun | [illegible] |
| Dublin | fair | 15 |
| Dubrovnik | fair | 31 |
| Edinburgh | shower | 15 |
| Faro | fair | 25 |
| Frankfurt | shower | 18 |
| Geneva | thund | 21 |
| Gibraltar | fair | 26 |
| Glasgow | hail | 15 |
| Hamburg | thund | 14 |
| Helsinki | shower | 16 |
| Hong Kong | fair | 29 |
| Honolulu | fair | 30 |
| Istanbul | fair | 29 |
| Jersey | fair | 16 |
| Karachi | fair | 32 |
| Kuwait | sun | 44 |
| L. Angeles | sun | 30 |
| Las Palmas | fair | 26 |
| Lima | cloudy | 20 |
| Lisbon | fair | 24 |
| London | shower | 16 |
| Lux.bourg | shower | 16 |
| Lyon | thund | 20 |
| Madeira | fair | 25 |
| Madrid | sun | 33 |
| Majorca | thund | 33 |
| Malta | sun | [illegible] |
| Manchester | hail | 15 |
| Manila | shower | 31 |
| Melbourne | fair | 17 |
| Mexico City | shower | 20 |
| Miami | fair | 33 |
| Milan | sun | 31 |
| Montreal | thund | 26 |
| Moscow | shower | 16 |
| Munich | thund | 22 |
| Nairobi | cloudy | 23 |
| Naples | sun | 32 |
| Nassau | fair | 33 |
| New York | sun | 26 |
| Nice | fair | 28 |
| Nicosia | sun | 34 |
| Oslo | shower | 18 |
| Paris | cloudy | 17 |
| Perth | sun | 21 |
| Prague | thund | 23 |
| Rangoon | rain | 28 |
| Reykjavik | shower | 15 |
| Rio | fair | 23 |
| Riyadh | sun | 42 |
| Rome | sun | 30 |
| S. Frsco | sun | 22 |
| Seoul | fair | 26 |
| Singapore | cloudy | 31 |
| Stockholm | shower | 15 |
| Strasbourg | cloudy | 19 |
| Sydney | fair | 21 |
| Tangier | fair | [illegible] |
| Tel Aviv | sun | 31 |
| Tokyo | fair | 28 |
| Toronto | thund | 27 |
| Tunis | sun | 36 |
| Vancouver | rain | 18 |
| Venice | thund | 26 |
| Vienna | shower | 24 |
| Warsaw | shower | 21 |
| Washington | sun | 30 |
| Wellington | fair | 10 |
| Winnipeg | fair | 25 |
| Zurich | thund | 20 |

FINANCIAL TIMES
# COMPANIES & MARKETS
Monday August 23 1993





## INSIDE

### Fyffes chief executive quits

Mr John Callaghan, chief executive of Fyffes, the fruit distribution group, is to leave at the end of the month, to pursue "other business interests". He has been in the post for just over two years. Page 14

### Hodgson returns to the market

Mr Howard Hodgson, the entrepreneur who created the UK's biggest quoted funeral services company, is to make his return to the London stock market via the purchase of a large shareholding in Hoskins Brewery, the Leicester-based brewing, pubs and hotels group. Page 14

### BSM's steady course

The British School of Motoring, which claims to have instructed its first pupil in 1910 – a coachman threatened with the sack – plans to keep teaching as the group's core business after it is floated in October. Page 14

### Franco German bank venture

Dresdner Bank and Banque Nationale de Paris have secured a licence to set up a joint bank in Russia. The partners plan to open their offices in St Petersburg on September 10. Page 15

### Sweden's Esab dives 66%

Esab, the world's leading welding equipment producer, saw first half profits slump 66 per cent to SKr23m ($2.8m) because of a weaker performance from its European and Brazilian operations. Meanwhile Euroc, the building materials group, boosted first half profits after financial items and minority shares to SKr95m from SKr10m. Page 15

### Bucking the trend

The continuing strength of Commerzbank – where profits grew 16.5 per cent in the first six months of the year – serves to underscore the fact that Germany's banking sector remains a bastion of prosperity amid the country's worst recession since the second world war. Page 15

### Bond buyers bothered

Mexico's determination to raise funds as cheaply as possible may make investors lose confidence temporarily in the fast-rising emerging markets sector of the international bond market. Page 17

### Market Statistics



### Companies in this issue



# Merrill Lynch plans move into gilts

By Sara Webb

MERRILL LYNCH, the largest securities house in the US, is to submit a formal application to the Bank of England to become a gilt-edged marketmaker, or dealer in UK government bonds.

Merrill was one of several foreign houses to pull out of the gilt market in the late 1980s in the face of tough competition in an overcrowded market and is likely to be the first of these to return.

It plans to make its application in the next few weeks. While the Bank refuses to comment on individual applications, it has indicated it is willing to grant the status to those houses prepared to make a long term gilt market commitment.

The two-year rally in the UK government bond market has helped many to return to profit. Yamaichi International (Europe), the European arm of the Japanese securities houses, has also applied to operate as a marketmaker and is expected to obtain permission this autumn. This will bring the total number of marketmakers to 20.

Merrill has hired Mr Stephen Rumsey, a veteran of the gilts market, to develop its sterling fixed income business: he joined the company's London office last week as a managing director in the debt markets business group.

Mr Rumsey, 42, has been involved in the gilt-edged and Eurosterling markets for the past 21 years. Until recently he was chief executive of BZW's bond operations ; he spent eight years at BZW, initially working in the gilts and Eurosterling sector, and later heading its fixed income operations.

A spokesman for Merrill Lynch said Mr Rumsey "would be involved in some business initiatives in the debt markets area, but it is premature to announce these in detail".

However, it is understood that Mr Rumsey will be developing Merrill's sterling business at a time when the UK government's hefty borrowing requirement is helping marketmakers to generate record profits. Marketmakers made post-tax profits of £65m between them last year, according to the Bank of England.

Earlier this summer, Merrill hired Mr Ifty Islam, BZW's gilt strategist.

Since Big Bang in October 1986, 12 marketmakers have pulled out, either because the business was no longer profitable or because they were taken over by another house.

**Peggy Hollinger** on why a big Russian trader has invested in a tiny oil company

# Irish explorer heads for Siberian wastes

Alexander Sarukhanov has become a familiar figure in the prosperous Kent village of Seal, thousands of miles from his usual stamping ground, the desolate oil fields of Siberia.

He has just forged a unique partnership between Aminex, a small quoted Irish oil company managed in the UK, and Zarubezhneftj, the Russian state-owned oil equipment trading company which had a monopoly position until the break up of the Soviet Union.

As a result of this deal, Aminex, a company with a market capitalisation of only £11m, has apparently won access to the vast oil producing potential of the former Soviet Union.

Mr Sarukhanov, a 44-year-old petroleum engineer and the deputy director general of Zarubezhneftj, recently accepted a seat on the board of Aminex, which is listed on the Irish Exploration Securities Market, Ireland's equivalent of the old London Third Market.

His appointment follows the purchase of 35 per cent of Aminex by East West Oil, which is based in Seal and is jointly owned by Zarubezhneftj and Titan Assets, a UK company with Russian shareholders also based in Seal.

The deal which brought Mr Sarukhanov to the Aminex table has raised considerable interest in the industry – both enthusiastic and sceptical.

Russia's potential is widely acknowledged. Five years ago, the then Soviet Union was producing almost 13m barrels of oil and equivalent products a day, 61 per cent more than the whole of North America. But the industry is now suffering a chronic lack of investment and equipment and production has halved.

Many larger western companies, though scenting vast opportunities, are reluctant to plunge into a country rife with political uncertainty and economic chaos.

Aminex, by working with Zarubezhneftj, may have eliminated some of the uncertainties which plague western companies in Russia. Mr Sarukhanov, with more than 20 years' experience of working in government circles, is expected to bring real returns in a matter of months by clinching a deal for Aminex to revive some of the 30,000 neglected oil wells languishing in Siberia.

Zarubezhneftj's close ties to the government and long experience overseas make it a useful partner for a venture in bureaucratic and unpredictable Russia. It is used to working with foreign companies, having been the body through which the the Ministry of Fuel and Energy imported and exported all of its oil equipment. It was also the government's arm for setting up, running and supplying foreign joint ventures in oil in Iraq, Syria, Yemen and, most recently, Vietnam.

At its peak five years ago, Zarubezhneftj boasted turnover of $2bn (£1.3bn) a year. Since the collapse of the former Soviet Union, however, and the growing independence of Russian oil producers, turnover has fallen to between $300m to $500m.

Zarubezhneftj's interest in a tiddler such as Aminex is difficult for many to understand – but not Mr Sarukhanov. "We are allowed, and it is our duty, to reinvest money back into Russian industry," he says.

A deal such as the one with Aminex – which he describes as "small enough and at the same time with potential enough" - will "increase possibilities to do something in Russia". He continues: "We hope it is the proper choice. We will see." He points out that Zarubezhneftj must also seek "more commercial" opportunities if it is to survive as a privatised entity.

Zarubezhneftj will also be able to use Aminex to help Russian producers negotiate the unfamiliar world of western companies and markets.

Aminex's relatively small size may in itself be an advantage in Russia. Many larger companies are regarded with suspicion there. "Russia is a relationship country," says one industry executive with considerable experience in the region. The majors, he says, have singularly failed to build personal relationships.

"The big shots only go in to sign agreements and then go away again," he says. "Small companies can often do things that appear much bigger than they would normally be capable of because of personal relationships."

Oil industry participants have their own ideas about why Zarubezhneftj should choose a such small and insignificant partner. Although the board which rescued Aminex from collapse in its previous incarnation as Eglinton Exploration has experience of the oil industry, it has no expertise in Russia.

An analyst specialising in the Russian oil industry says that Aminex may provide a useful hard currency earner for its Russian shareholders, particularly if they can ensure that Aminex gets the best quality oil.

The Russian investment in Aminex has been made through a complex web of companies. East West Oil has bought 35 per cent. The 35 per cent stake was purchased at an average price of about 18p per share, against Friday's close of 45p.

East West in turn is 50 per cent owned by Zarubezhneftj, with the rest held by Titan Assets, whose ultimate owners are hidden behind nominees, which hold 83 per cent of it.

Lydia van der Meer

Sarukhanov: "It is our duty to reinvest in Russian industry"

One of Titan's directors is Mr Andrei Gloriozov who is also deputy chairman of Imperial Bank of Russia, the young and aggressive Moscow bank. It is believed that IBR gets much of its money through trading oil and is closely linked to the highest echelons of Russian government.

Mr Gloriozov is also a director of Titan Oil & Metals, one of the original investors in IBR, and runs IBR's Luxembourg bank, East West Bank. Titan Assets says, however, that IBR has no direct interests in East West Oil although there is a business relationship.

Oil industry executives say it makes sense for both parties to start tapping Russian potential by rehabilitating shut-in wells. "It is an inexpensive way to get your feet wet," he says.

However, with the Russian oil producers increasingly calling the shots, even an organisation with the financial muscle and political power of Zarubezhneftj may find trying anything more than rehabilitation too difficult at first.

Mr Robin McFarlane, who owns 17 per cent of Titan Assets and is a director of East West Oil, is emphatic about his plans for Aminex. "We want to build it into a significant force," he says. However, he and Mr Sarukhanov agree that such plans will take some time.

# Potential losses of LUI could be £4.5bn

By Vanessa Houlder

POTENTIAL LOSSES of London United Investments, the insurance group which collapsed early in 1990, could be as high as £4.5bn, more than £1bn greater than earlier estimates.

The estimated shortfall between liabilities and assets will be disclosed when provisional liquidators publish a scheme of arrangement next week.

The full extent of the losses cannot yet be accurately assessed, as they depend on claims that could take years to settle. LUI was heavily involved in "long tail" US liability business, in which claims often arise years after the policy is written.

LUI's subsidiaries specialised in general and product liability for North American companies, with professional indemnity insurance for accountants, architects, engineers and lawyers, and medical malpractice insurance for doctors and hospitals.

The provisional liquidators, Mr Chris Hughes and Mr Ian Bond of Coopers & Lybrand, will seek creditors' approval for a scheme of arrangement rather than a liquidation, because they believe it offers the best prospects for the companies' creditors, which could eventually number more than 100,000. The scheme of arrangement allows creditors to receive some payment before the detailed picture of the assets and liabilities is fully known.

Part of the impact of the LUI losses will be absorbed by the Policyholders' Protection Board, which could be faced with a bill of more than £250m. The PPB, which is financed by a levy on other UK insurers, covers 90 per cent of all claims from private policyholders when UK insurers go out of business.

The PPB's potential bill has risen because of a recent House of Lords ruling which found that several thousand US policyholders could claim compensation even though they were not resident in the UK. But it reserved judgment on whether a number of professional partnerships would be eligible.

LUI incurred its liabilities through its subsidiaries, Kingscroft Insurance, Walbrook Insurance, El Paso Insurance, Lime Street Insurance and Mutual Reinsurance.

In November 1990, the Department of Trade and Industry launched an investigation into LUI under Section 432 of the Companies Act.

# Milan market defies gloom from Rome

## Economics Notebook

By Haig Simonian

Amid booming international bourses, Milan, once a sluggard, has been up with the pace setters. Shares in Italy have risen by 35 per cent this year, one of the sharpest increases of any of the main markets.

Yet unlike the rises in London and New York, the boom in Italian stocks seems remote from economic fundamentals. Share prices have moved in almost inverse proportion to the gloominess of recent economic news from Rome, and if current business data guided the indices, stocks would be sliding, not soaring.

Industrial output and employment have both fallen sharply this year. Jobless totals have hit almost 3m – a national average of 12 per cent. But that masks an unemployment rate of 21.3 per cent in the depressed south – nearly three times the 7.9 per cent prevailing in the centre and the north.

Industrial production dropped by 1.3 per cent in June compared with the previous month. After stabilising in the first quarter, output for the second quarter was 1.2 per cent below that in the first three months of the year, while the first half was 4.2 per cent down on the same period of 1992.

The figures have prompted dire warnings about lengthening dole queues when Italy's big factories reopen at the end of the August holidays. The number of workers in government-backed short-time working or redundancy schemes has already soared 35 per cent in the first five months of this year against the same period of 1992. "The surge in unemployment suggests that consumers are unlikely to step up spending soon," says the US bank J P Morgan in Milan.

The downturn has been most acute in the motor industry. Car sales have slumped by about 26 per cent this year – one of the sharpest falls on record.

The plunge, steeper than that in either France or Germany, makes depressing reading for Fiat executives, putting the final touches to next month's press launch of the new Punto small car. While one set of spokesmen prepares for the huge beanfeast in Fiat's home town of Turin, others are having to explain why up to 38,000 workers will be on short-time working in September.

The theory is that the lower lira should promote an export boom to compensate for the domestic turndown. On paper, the argument looks convincing. The lira closed on Friday about 23 per cent below last September's pre-flotation parity against the D-Mark. At its weakest earlier this year, when one D-Mark was worth almost L1,000, the devaluation was more than 30 per cent.

The flaw in the argument is the recession abroad. "The lira may be weak, but what's the point when your neighbours don't want to spend any money," says one bank economist.

While exports have risen, they have hardly boomed. The overall customs trade surplus in the first five months of the year was L5,700bn (£2.37bn), against a L2,800bn deficit in the same period of last year. However, analysis of this year's figures is complicated by changes in the European Community's methods of collecting data because of the single market. According to J P Morgan, imports in the first quarter appear to have been understated while the surge in exports is expected to have moderated in the second.

The gloomy economic climate has hit Italy's banks, which have warned of much higher provisions this year after the already substantial allowances made last year.

The problems at Ferruzzi, Italy's second biggest private company, staggering under total borrowings of L28,838bn, have captured the limelight. But the Ferruzzi crisis is just the most acute in a string of corporate rescues.

Recent figures from the Bank of Italy show that problem loans by commercial banks rose to L42,016bn at the end of May from L37,428bn last December and L32,613bn at the end of 1991. Special credit institutions, which concentrate on medium and long-term industrial lending, have also suffered, with a 21 per cent rise in problem loans to L17,835bn at the end of May compared with December 1991.

There has been a trickle of brighter news. Inflation, though edging upwards recently, remained at an acceptable 4.4 per cent in July.

Meanwhile, real wage costs have dropped appreciably. The process began with last year's landmark union-employer agreement to abolish the scala mobile wage indexation system. An additional accord last month created a new wage bargaining system, designed to prevent the recurrence of inflationary wage settlements. However, it will be some time before the benefits come through in terms of more jobs.

Moderate inflation and falling wage costs have encouraged the Bank of Italy to cut interest rates, along with parliamentary progress in passing the government's latest budget plans. The central bank slashed the discount rate by 1 percentage point to 9 per cent in July, the lowest level since 1976.

However, it is the government, rather than business, which has been the main beneficiary of lower interest rates so far. While yields on treasury bills have virtually halved since last September, business people are still complaining that bank lending rates have not fallen so far or so fast. Facing big provisions, the banks seem determined to widen their margins.

The drop in interest rates has come as a tonic for the budget deficit. Combined with a 9.3 per cent rise in tax receipts in the first half, lower rates on government bonds should help the government meet its deficit-reduction plans. Its target is to stabilise the ratio between debt and gross domestic product – rising inevitably because of the recession – at 123 per cent by 1996, compared with 109 per cent last year. The deficit is expected to be around L150,000bn this year.

In time, action to prune the deficit and reduce interest charges should rub off on business confidence. Already the booming bourse suggests that investors are focusing more on the government budgetary outlook than on gloomier corporate news.

# British Gas may opt for demerger

By Robert Peston

BRITISH GAS's shareholders may be given shares in a new gas trading company, if the government forces the utility to adopt the recommendations of the Monopolies and Mergers Commission that its trading business be divested.

Mr Philip Rogerson, the group's finance director, said such a demerger was the most likely option, though British Gas had yet to carry out a detailed feasibility study. "Other possibilities are a trade sale or a flotation to raise cash," he said.

He said the company would probably carry out any divestment much earlier than the MMC's deadline of the end of March 1997, provided this did not impose excessive costs.

However no decisions will be taken until after the company holds negotiations with the government. These are not expected before September 6.

Mr Rogerson expected Schroders, the merchant bank, would advise the company on the divestment strategy. Schroders advised British Gas on its submission to the MMC enquiry, whose conclusions were published last week.

Other MMC proposals were that British Gas's monopoly over gas supply should be reduced in 1997 and removed no more than five years later. It also recommended a change in the pricing formula for household customers and said the company's pipelines should earn a return on assets of 4 to 4.5 per cent.

Consumer groups have warned that implementation of the proposals could lead to higher prices. The company said they would lead to the loss of at least 20,000 jobs.

# Howard Hodgson to buy stake in Hoskins Brewery

By Steve Thompson

MR HOWARD Hodgson, the entrepreneur who created the UK's biggest quoted funeral services company, is returning to the London stock market via the purchase of a large shareholding in Hoskins Brewery, the Leicester-based brewing, pubs and hotels group.

The move by Mr Hodgson, which is expected to be announced today, follows the collapse of a proposed deal between Hoskins and Smithland Estates, a private company run by Mr Adam Page, former chairman of Midsummer Leisure.

This would have involved the injection of Smithland's Fatty Arbuckle theme bars into Hoskins in return for a 41 per cent stake. Hoskins broke off talks with Smithland just over a week ago.

The Hoskins board has been facing a campaign by dissident shareholders, led by Mr Richard Holman, who are seeking to oust Mr Barrie Hoar as chairman and Mr Robert Hoar as a director. Mr Barrie Hoar has said that he and his brother "would resign when the company's future is secure."

Hoskins Brewery shares last changed hands at 56p on the Unlisted Securities Market, valuing the group at £3.22m, before being suspended at the company's request on May 27.

It is thought that Mr Hodgson will buy a large block of shares in Hoskins from the Hoar brothers, who founded the company and own almost 30 per cent of the shares.

A number of new non-executive directors are expected to join the Hoskins board after the shares change hands. Mr Hodgson is then expected to embark on an expansion programme via acquisitions.

Mr Hodgson built up the largest quoted funeral services company in the UK, PFG Hodgson Kenyon International, during the 1970s and 1960s, transforming his family business – which he bought for £14,000 – into a £100m company, via a series of mergers and acquisitions.

He brought Hodgson Holdings to the Unlisted Securities Market in 1986. The company obtained a full Stock Exchange listing in 1989, merging with Kenyon Securities the same year to form PHKI. In 1987 he was voted USM Entrepreneur of the Year.

His departure from the group in January 1991, following a profits warning triggered, according to the company, by high gearing costs and a lower than forecast UK mortality rate, was said to have been by mutual agreement and to enable Mr Hodgson to pursue other interests outside the funeral services industry.

# Fyffes chief executive quits to 'pursue other interests'

By Tim Coone in Dublin

MR JOHN Callaghan, the chief executive of Fyffes, the fruit distribution group, is to step down at the end of this month, having been in the post for just over two years.

No reasons were given for his departure other than that, according to a company statement, he intends to pursue "other business interests".

Mr Neil McCann, the group chairman, acknowledged Mr Callaghan's contribution to the company saying that his management team had successfully handled the group's transition to the EC single market.

Fyffes is a significant banana importer into the UK and Ireland, and under a new EC quota system which was approved last July, now stands to benefit in the wider EC market at the expense of the top "dollar" producers such as Chiquita, Dole and Del Monte.

Fyffes has, however, suffered a number of setbacks in the past two years in its efforts to build a distribution base outside of the British Isles.

Having raised I£60m in a rights issue in 1991, the group made a bid for the Del Monte group, which was then in the hands of the Polly Peck liquidator. A Mexican group, however, made the successful bid at a price believed to be around $500m.

A I£52m deal to buy a significant stake in the Swedish fruit distribution group, Saba, was then aborted in the autumn of last year as the ERM currency crisis caused interest rates to soar in both the Swedish and Irish markets.

Earlier this year talks were held between Fyffes and Dole, on a possible agreed takeover by Dole of the Irish-controlled group. It is thought that the terms offered were not acceptable to controlling interests within the Fyffes group, however, and Dole subsequently withdrew.

Reports in Dublin at the weekend suggested that it was tensions between Mr McCann and Mr Callaghan over control of the company and how to spend its I£100m cash hoard, that have led to Mr Callaghan's departure. Company sources have been unavailable for comment.

Mr Callaghan joined Fyffes from the accountancy firm KPMG Stokes Kennedy Crowley, where he had been a managing partner for eight years.

## Mediterranean Fund net assets up

Mediterranean Fund reported a net asset value per share of 273.94p at the six months ended June 30, up from 222.6p a year earlier.

Pre-tax revenue for the period was £222,000, against £289,000 last time. Total revenue was £532,000 (£548,000) and administrative expenses increased from £259,000 to £310,000.

Earnings per share came out at 1.36p (1.78p).

# Nouvelle to reconstruct for property expansion

NOUVELLE, whose main business is now that of a property company and whose shares have been suspended since the beginning of last December, plans a reorganisation, placing, rights issue, acquisition and a change of name.

It is anticipated that suspension will be lifted on implementation of the proposals, and dealings will start on September 14.

The group also released accounts for the year ended March 31 1993 showing a significant cut in pre-tax losses from £2.05m to £219,000. The discount stationery retailing subsidiary was sold in April 1992 and the office products distribution operation disposed of in August. There were extraordinary charges of £3.69m (£5.15m) for asset write downs and other costs.

Losses per share were reduced from 3.1p to 0.28p.

After a capital reorganisation which includes cancellation of part of the deficit on the profit and loss account, it is planned to raise £920,000 net through the placing of 11.2m new ordinary 1p shares at 5p apiece; and shareholders are offered a like number of shares at the same price on the basis of 1-for-10 ordinary and 1-for-2 convertible preference.

Nouvelle proposes to purchase Regent Corporation, and take that name. Regent is a recently-established house building company of which Mr Carl Turpin and Mr Christopher Johnson, two experienced property developers, are directors and shareholders; they will join Nouvelle as chief executive and deputy chairman respectively.

Maximum consideration is £500,000 and initial payment will be £100,000 settled via the issue of 2m ordinary shares, and up to a further 8m shares depending on results for the period to March 31 1995.

Regent has two completed developments in Charlwood, Surrey, and Wandsworth, London. It has bought land at North Cheam, London, with planning permission, and exchanged contracts on a site in Sutton, Surrey.

# All fired-up to test the market

**David Blackwell** on the proposed flotation of the BSM Group

THE British School of Motoring can probably claim to be the world's biggest. The Red Army's school once came near it – but that now had other things to do, joked Mr Paul Massey, chief executive of BSM Group, who confirmed on Friday that the company would be floated in October.

The flotation aims to raise between £40m and £50m. Much of that will be used to repay the £30m of debt incurred during a management buy-out in 1990, led by Morgan Grenfell Development Capital Partners, which owns 70 per cent.

BSM traces its history to the first days of the horseless carriage, claiming that its first pupil in 1910 was a coachman threatened with the sack when his employer traded in a coach and pair for a car. It also claims to have taught the first person to pass the UK driving test after its introduction in 1935 – a Mr Beene.

The school was acquired in 1973 by Sir Anthony Jacobs, whose family still owns 20 per cent of the company. Sir Anthony decided to sell in 1990 when he was ready to retire and his son wanted to pursue other interests. Mr Massey's management team, which owns 10 per cent, held off rival offers from car makers and leasing companies eager for such a large captive market.

Mr Massey holds 30 per cent of the management team's 10 per cent stake, and will not be selling any of his shares in the flotation.

The Vauxhall Corsa: 'more appealing to the teenage driver'

The school now operates 134 branches spread between Aberdeen and Plymouth. It has 2,000 self-employed instructors, who pay a weekly franchise fee to BSM.

Mr Richard Glover, managing director, said that teaching learner drivers would remain the group's core business. More than 90 per cent of the population is within easy reach of a BSM school, he claims, and the familiar white pyramid on the roof of BSM cars is paraded through 1m miles of UK roads every week.

BSM teaches 120,000 people to drive each year, and claims a market share of 15 per cent. However, the competition is very fragmented – the nearest in size is the Automobile Association's operation – The Driving School – with just over 500 franchised cars, and there is a multitude of one and two-person businesses.

The market has been depressed for two to three years as the recession has held back new learners, according to Mr John Lepine of the Motor Schools Association. Also, demographically, the UK population of 17-year-olds is at its lowest level since 1965.

This has a big effect as learners between the ages of 17 and 19 form 43 per cent of the total, according to Transport Research Laboratory figures for 1992. Those aged between 20 and 24 make up a further 22 per cent.

In such conditions prices have been kept down. One small London school owner said he had not raised the cost of an hourly lesson in the daytime from £14 since June 1989.

BSM prices range between £14.95 an hour to £17.50 in central London. As a rule of thumb, learning to drive takes 1½ hours for every year of someone's life, so that a person of 20 will need to spend £450 at £15 an hour to reach driving test level.

The company is now making more effort to attract the younger end of the market. Only 30 per cent of its customers have been under 20. In July the group switched from Rover Metros to Vauxhall Corsas, a car which BSM believes will appeal more to teenagers. Vauxhall will supply the company with 5,000 cars a year over 10 years in a £400m deal.

Mr Glover is also keen to expand the company's health and safety division and MCR, which maintains the fleet. The health and safety arm provides training to company car drivers. He claimed that BP's motor accident rate had fallen by 58 per cent in the year after its drivers had undergone BSM courses.

The company also sees good growth opportunities for MCR, which has started to take on the maintenance of other company fleets.

Mr Massey described the recession as "awful", but said the group still managed to report operating profits of £4.1m on turnover of £21m last year, and £2.2m on £11.8m in the first half of this year.

## English & Scottish asset value jumps

At the end of July the net asset value per share of English & Scottish Investors stood at 118.6p.

This showed a significant advance on previous levels. At January 31 1993 it came to 106.7p and six months prior to that it was 81.0p.

In the half year ended July 31 1993 gross income improved from £3.3m to £3.62m. Net revenue, however, fell from £1.21m to £939,000, mainly because of higher interest charges.

Earnings per share dropped to 0.57p (0.74p) but the interim dividend is maintained at 0.5p, payable on October 19.

**CROSS BORDER M&A DEALS**

| BIDDER/INVESTOR | TARGET | SECTOR | VALUE | COMMENT |
|---|---|---|---|---|
| Cadbury Schweppes (UK) | Dr Pepper/Seven-Up (US) | Soft drinks | £154.2m | Lifting stake to 22.8% |
| GE Capital (US) | Finax (Sweden) | Financial services | £82m | Wasa non-core disposal |
| Premier Bancorp (US) | Alerion Bank (US) | Banking | £31m | Ferruzzi family disposal |
| Sedgwick (UK) | Arvid Bergvall (Norway) | Insurance | £17.8m | Global strategy buy |
| Colgate Palmolive (US) | Colgate Palmolive India (India) | Healthcare products | £16.7m | Lifting stake to 51% |
| Alcatel (France | Teletas (Turkey) | Telecoms equipment | £13.8m | Alcatel taking control |
| Brown & Root (US) | Seaforth Maritime (UK) | Oil & gas | £8m | Successful MBO exit |
| Powell Duffryn (UK) | Pressure Systems (US) | Breathing equipment | £1.8m | Cash deal |
| Scottish Hydro-Electric (UK)/Marathon (US) | Vector Gas (Joint venture) | Gas supply | n/a | Another gas sales venture |
| Asea Brown Boveri (Switzerland/Sweden)/ AutoVaz (Russia) | Lada-Flakt (JV) | Ventilation equipment | n/a | Fan production venture |
| Hiram Walker (UK)/ Jagatjit Industries (India) | JV | Drinks | n/a | Indian government approves |



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on [illegible] Pool purchase price £/MWh | Final Prices for Trading on [illegible] Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 20.37 | 20.51 | 26.46 |
| 0100 | 20.26 | 19.79 | 24.73 |
| 0130 | 18.65 | 18.78 | 23.54 |
| 0200 | 18.65 | 18.78 | 23.67 |
| 0230 | 18.65 | 18.76 | 23.63 |
| 0300 | 18.61 | 18.76 | 23.66 |
| 0330 | 17.98 | 18.76 | 23.71 |
| 0400 | 17.97 | 38.14 | 44.91 |
| 0430 | 17.37 | 38.14 | 44.68 |
| 0500 | 17.97 | 38.14 | 44.69 |
| 0530 | 17.88 | 33.00 | 38.91 |
| 0600 | 17.88 | 34.00 | 34.00 |
| 0630 | 17.95 | 34.00 | 34.00 |
| 0700 | 17.89 | 33.00 | 33.00 |
| 0730 | 19.00 | 33.00 | 38.42 |
| 0800 | 21.45 | 33.00 | 38.54 |
| 0830 | 21.77 | 21.61 | 26.58 |
| 0900 | 21.77 | 21.61 | 26.62 |
| 0930 | 22.09 | 21.62 | 26.63 |
| 1000 | 22.08 | 22.36 | 27.32 |
| 1030 | 22.29 | 23.91 | 28.88 |
| 1100 | 24.36 | 26.02 | 35.14 |
| 1130 | 24.58 | 28.65 | 33.63 |
| 1200 | 29.47 | 31.84 | 37.07 |
| 1230 | 32.00 | 33.00 | 38.06 |
| 1300 | 32.00 | 33.00 | 38.07 |
| 1330 | 33.00 | 31.84 | 37.15 |
| 1400 | 32.00 | 26.02 | 33.21 |
| 1430 | 22.26 | 23.91 | 28.94 |
| 1500 | 21.56 | 21.62 | 26.59 |
| 1530 | 18.10 | 21.61 | 26.56 |
| 1600 | 18.11 | 21.61 | 26.61 |
| 1630 | 18.11 | 18.11 | 18.11 |
| 1700 | 18.11 | 21.62 | 26.52 |
| 1730 | 21.65 | 21.62 | 26.53 |
| 1800 | 21.65 | 21.62 | 26.54 |
| 1830 | 21.65 | 21.62 | 26.54 |
| 1900 | 21.65 | 21.61 | 26.45 |
| 1930 | 22.28 | 21.61 | 26.40 |
| 2000 | 24.01 | 21.62 | 26.37 |
| 2030 | 25.70 | 22.36 | 27.10 |
| 2100 | 33.00 | 22.36 | 27.09 |
| 2130 | 33.00 | 33.00 | 38.16 |
| 2200 | 33.00 | 33.00 | 38.06 |
| 2230 | 19.00 | 33.00 | 33.00 |
| 2300 | 18.19 | 22.50 | 22.50 |
| 2330 | 18.18 | 18.08 | 18.08 |
| 2400 | 18.09 | 33.00 | 33.00 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on [illegible] Pool purchase price £/MWh | Final Prices for Trading on [illegible] Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.03 | 34.00 | 34.00 |
| 0100 | 18.03 | 34.00 | 34.00 |
| 0130 | 18.03 | 17.97 | 17.97 |
| 0200 | 18.03 | 33.00 | 33.00 |
| 0230 | 18.03 | 33.00 | 33.00 |
| 0300 | 18.03 | 33.00 | 33.00 |
| 0330 | 18.03 | 24.51 | 24.51 |
| 0400 | 18.03 | 24.51 | 24.51 |
| 0430 | 18.03 | 24.51 | 24.51 |
| 0500 | 18.03 | 24.51 | 24.51 |
| 0530 | 18.03 | 29.00 | 29.00 |
| 0600 | 17.98 | 34.00 | 34.00 |
| 0630 | 18.05 | 34.00 | 34.00 |
| 0700 | 18.09 | 40.89 | 47.25 |
| 0730 | 25.24 | 20.70 | 25.73 |
| 0800 | 25.77 | 23.65 | 29.92 |
| 0830 | 30.71 | 25.01 | 29.95 |
| 0900 | 30.91 | 25.01 | 29.84 |
| 0930 | 31.89 | 27.15 | 32.03 |
| 1000 | 33.08 | 27.63 | 32.48 |
| 1030 | 33.77 | 27.63 | 32.46 |
| 1100 | 33.81 | 28.99 | 33.90 |
| 1130 | 34.15 | 28.99 | 33.89 |
| 1200 | 38.47 | 32.26 | 37.43 |
| 1230 | 38.37 | 34.01 | 38.11 |
| 1300 | 38.00 | 34.00 | 39.03 |
| 1330 | 33.46 | 28.99 | 33.78 |
| 1400 | 33.26 | 25.97 | 30.65 |
| 1430 | 27.07 | 25.97 | 30.65 |
| 1500 | 27.06 | 25.97 | 30.66 |
| 1530 | 27.04 | 25.20 | 29.87 |
| 1600 | 27.06 | 25.20 | 29.87 |
| 1630 | 33.06 | 31.68 | 36.54 |
| 1700 | 36.26 | 34.00 | 38.94 |
| 1730 | 38.18 | 34.00 | 38.93 |
| 1800 | 38.07 | 34.00 | 38.97 |
| 1830 | 26.94 | 25.14 | 29.92 |
| 1900 | 26.92 | 24.49 | 29.15 |
| 1930 | 26.92 | 23.65 | 28.52 |
| 2000 | 26.93 | 23.03 | 27.77 |
| 2030 | 37.98 | 23.00 | 27.80 |
| 2100 | 37.95 | 23.03 | 27.80 |
| 2130 | 26.70 | 23.41 | 26.14 |
| 2200 | 19.62 | 32.00 | 35.91 |
| 2230 | 19.92 | 31.00 | 35.92 |
| 2300 | 18.50 | 24.53 | 29.27 |
| 2330 | 19.50 | 22.21 | 27.00 |
| 2400 | 18.44 | 20.70 | 25.63 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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**COMPANIES AND FINANCE**

# German banks prosper in bleak climate

**David Waller** examines why fears for the industry's health have been confounded by strong results

COMMERZBANK, Germany's third-biggest bank, has seen no let-up in profits growth during the past two months. Coming shortly after it reported 16.5 per cent growth in profits for the first six months of the year, Commerzbank's continuing strength serves to underscore the fact that Germany's banking sector remains a bastion of prosperity amid the country's worst recession since the second world war.

Analysts had feared the half-year results for Germany's big banks, published in the past few weeks, would reveal weaknesses in the sector. This fear was based on the banks' decision to report provisions against bad and doubtful debts for the first time, ahead of a European Community directive which will make such disclosure mandatory for the full-year results.

In the event, provisions notwithstanding, the results were better than expected and the German banking sector is looking solid. Taking the new measure for assessing banks' profitability – total operating profits after provisions – the big five banks managed growth rates of between 12.6 per cent (Deutsche Bank) and 24.8 per cent (Hypobank).

And although provisions grew by as much as 45 per cent at Deutsche Bank, Germany's biggest bank, and 25 per cent at Dresdner, the second biggest, analysts were pleasantly surprised at what the new figures implied about the bad debt situation in Germany.

"The information is still incomplete," said Susan Sternglass at Goldman Sachs in London, "but all the evidence suggests that the German banks have for several years been making sizeable provisions against bad and doubtful debts in anticipation of the downturn.

"This means that now the downturn has actually materialised, bad debt charges do not have to rise dramatically."

The implication is that German banks will this year match, if not beat, the record level of profits made last year. Along with construction companies – main beneficiaries of a building boom in eastern Germany – the banking industry is one of only two German stock-market sectors likely to increase earnings this year.

This raises at least two questions: how have the banks been able to defy a recession likely to mean a decline of at least 2 per cent in German GDP this year, and can this immunity to the downturn last?

The central factor behind the rise in total profits in the first six months of the year was a surge in profits from own-account trading. At four out of the five biggest banks, these profits more than doubled against the comparable period for last year. At Dresdner Bank they more than trebled.

The smallest rate of increase was 42 per cent at the Deutsche Bank – impressive considering that these DM808m ($480.9m) profits were bigger than trading profits combined at its two nearest rivals.

These strong trading results reflect highly favourable market conditions in currency and securities markets. The bund market rally in the early part of the year was followed by a strong performance in the German equity market, with the DAX index of 30 leading shares up by more than 18 per cent in the first six months. The banks have also benefited from high volatility and trading volumes in currency markets.

Market activity also stimulated commission income generated through securities transactions conducted on customers' behalf. This category of profit rose at between 13 per cent (Deutsche) and 21 per cent (Hypobank).

Commission income combined with trading profits thus offset a slowdown in earnings on interest income, the mainstay of a bank's business. Here growth slowed from the levels of last year when, according to a Bundesbank analysis published in its monthly report for August, net interest income climbed at 10 per cent.

However growth in interest earnings has by no means died away altogether: in the first half, it still rose 7.4 per cent at Deutsche, 4.6 per cent at Dresdner, and more than 10 per cent at Hypobank. This reflects the relaxation of minimum reserve requirements which, earlier this year, freed DM25bn of capital on which the banks had hitherto earned no interest. Continuing strong demand for mortgage borrowing, driven by sharp cuts in long-term interest rates over the past year, has also helped.

Will fortune continue to smile on German banks? Mr Ian McEwen, banking analyst at Merrill Lynch, is not sanguine. He believes that banks' margins will be squeezed in a lower interest-rate environment, and that the impact of the downturn will be felt more sharply in 1994, when provisioning will have to be raised still further.

"It will be hard for the banks to generate profit growth in 1994," he concluded. On this basis, he argues that all German banks, but for Deutsche Bank, are overvalued in stock-market terms.

However, for the time being German banks' biggest problem is an enviable one: that of being embarrassingly profitable when virtually everywhere else in the German economy earnings are collapsing.

# BNP, Dresdner confirm Russian deal

By Leyla Boulton in Moscow

DRESDNER Bank and Banque Nationale de Paris have secured a licence to set up a joint bank in Russia.

Mr Volker Burghagen, head of Dresdner's international division, said yesterday the partners would open the offices of BNP-Dresdner Bank Rossiya in St Petersburg on September 10, regardless of whether parliament passed a new law limiting foreign banking activity from next January until 1996.

BNP and Dresdner have hired a staff of 80 and spent around DM2m ($1.19m) on setting up the operation, which will have a capital of $10m.

Mr Boris Yeltsin, the Russian president, last week sent back to parliament a law which would restrict foreign-owned banks established in Russia to dealing only with non-residents. The government has told parliament the law, which would reverse the terms of licences already given, would damage Russia's shaky investment environment.

Mr Burghagen expressed confidence that the law would "not survive, at least in its present form". He noted that the government, the central bank, and even parliament's own banking commission were opposed to it. "This law is outright nonsense and must be changed in the interests of the development of the Russian economy. But we shall see."

The law, passed at a second reading by deputies with the support of Russian banks, would mean that foreign-owned banks in Russia could not take deposits from Russian companies, including joint ventures, which account for most of the foreign investment in the Russian economy so far.

But although President Yeltsin has attached four pages of objections to the proposed legislation, it will become law if parliament passes it at a third reading. Mr Yeltsin, who is currently pressing for new elections to usher in a new parliament and constitution, does not have the right to veto a law a second time.

Despite answering to parliament, the central bank has defended giving licences to foreign banks by saying foreign competition is needed to improve the standards of Russian commercial banking, and to encourage foreign investment.

Before giving a licence to BNP and Dresdner – which also plan to set up a joint bank in Poland as part of an international alliance – the central bank had given a similar go-ahead to Crédit Lyonnais, Société Générale, and the Bank of China. Bank Austria has a more limited offshore banking licence, which would be within the rules proposed by parliament. Other western banks, including two US banks, are waiting in the wings.

Although foreign banks do not plan to take rouble deposits to start with, the Russian banks say they are afraid the foreign banks will steal their prized hard-currency deposits.

They say they need time to prepare for competition, but many Russian enterprises are naturally inclined to trust renowned foreign banks more than the vast majority of Russia's 1,800 institutions calling themselves commercial banks.

Part of the problem is that they are under little pressure to perform from domestic authorities, which lack supervisory skills and have yet to start badly-needed restructuring of the Russian banking sector.

# Commodity exchange link terms approved

By Laurie Morse in Chicago

THE BOARD of governors of the Commodity Exchange, the New York precious metals futures exchange, has approved the terms of a proposed merger with the New York Mercantile Exchange. This sets the stage for voting by members on the $60m plan before the end of the year.

Although the Comex board approval had been expected, it is viewed as a victory for Mr Daniel Rappaport, the Nymex chairman.

Since assuming the chairmanship in January, Mr Rappaport has succeeded in smoothing historical animosities between the two exchange's trading populations, which have blocked previous merger plans.

The Nymex has offered to pay Comex members $60m in cash. Of this, about $15m will come from the Comex's own treasury at the time the deal closes, while $20m will be deferred and distributed in equal payments of $5m, plus interest, in each of the next four years.

Comex has about 775 members. In order to quell any opposition from the Nymex membership, the deal includes a $10m payout to members if the merger is accomplished.

The merger would maintain the Nymex and Comex as separate divisions, and memberships to the divisions would continue to trade separately.

Cost savings from the link-up are estimated at more than $6m a year.

# US tobacco group signs agreement with China

By Tony Walker in Beijing

PHILIP Morris Asia and China National Tobacco Corporation have agreed to co-produce Marlboro cigarettes in Shanghai.

An agreement was signed in Beijing last week. Under the accord, the two sides will also develop and produce other brands in Ningbo, a city south of Shanghai. The new products will aim at both domestic and international markets.

No capital investment is expected from Philip Morris. Its role will be to help train staff workers and upgrade leaf processing of the two existing Chinese plants.

The CNTC monopolises China's cigarette production. Its 180 plants produce 1,600bn cigarettes a year.

Philip Morris will be the fourth international tobacco manufacturer to enter China after RJR Nabisco, Rothmans and Nanyang Brothers Tobacco Corp of Hong Kong.

Marlboro is the most popular foreign cigarette in China. With living standards improving quickly, more Chinese are buying imported brands. China is the world's largest cigarette consumer, with 300m smokers consuming 1,600bn cigarettes a year.

# Profits at Esab decline sharply

By Christopher Brown-Humes in Stockholm

ESAB, the world's leading welding equipment producer, saw first-half profits slump 66 per cent to SKr23m ($2.9m) because of a weaker performance from its European and Brazilian operations.

Income in the second half is expected to be similar, resulting in a full-year profit well below last year's SKr160m.

Sales rose to SKr3.38bn in the first half from SKr3.32bn, and orders expanded to SKr3.53bn from SKr3.42bn. However, both figures were flattered by the depreciation of the Swedish krona. On an underlying basis, sales were 7 per cent lower and orders were down 4 per cent.

The group said it was encouraged by evidence of an improving trend in some markets. It said the Nordic and UK markets had begun to stabilise, while the decline in central and southern Europe was slowing.

It also pointed to a "cautious recovery" in the US, a more stable Brazilian market, and "a moderate rate of growth" in south-east Asia, except for Singapore.

The group has continued to expand its market position, particularly in eastern Europe and Russia. In the first half, it acquired 70 per cent of the Czech Republic's leading welding company, Zelezarny-Vamberk. In Russia it set up a jointly-owned company with Zapsibgaspromostroi (part of the Gasprom group) to produce covered electrodes with Esab technology and equipment.

● Euroc, the Swedish building materials group, boosted first-half profits after financial items and minority shares, to SKr95m from SKr10m in the same 1992 period.

It also predicted its full-year result would be better than last year's SKr145m.

The group said cost-cutting and lower financial costs had helped offset the impact of reduced building activity in Sweden and Finland, and increased price competition.

The company is not expecting an upturn in European construction activity until 1995. In the meantime, investment in new construction in its main markets, Sweden and Finland, is expected to fall 20 per cent this year and 15 per cent in 1994.

# Moody's downgrades IBM debt rating

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines' debt rating has been downgraded two notches by Moody's Investor Services. About $28bn in debt and securities are affected.

The debt rating agency cited IBM's increased risks as the primary reason for its decision to downgrade the computer company's long-term debt from A1 to A3.

"IBM's operating results will be under pressure as it seeks to remake itself into a more nimble, customer-focused competitor in the volatile and intensely competitive computer industry," the agency said.

Moody's also cut IBM's short-term debt rating, to Prime-2 from Prime 1, and reduced the preferred stock rating to baa1 from a3, and its shelf registration to (P)A3 from (P)A1.

Moody's noted that IBM had taken more than $28bn in restructuring charges over the past six years. These were connected with efforts to realign cost structure and adjust capacity levels to slowed revenue growth rates and lower margins, with its debt increasing considerably.

The agency also said last month's restructuring actions, which included an $8.9bn charge to cover the costs of cutting 35,000 jobs, would make significant inroads in reducing its operating costs.

● IBM Deutschland, the group's German subsidiary, plans to continue into 1995 a series of job cuts begun in 1992, according to Mr Hans-Olaf Henkel, chief executive, Reuter reports from Frankfurt.

# Output cut hits MIM offshoot

LOWER production from the Porgera gold mine has cut revenue and earnings of Highlands Gold, the Papua New Guinea gold miner 65 per cent-controlled by MIM Holdings, the Australian metals producer, writes Bruce Jacques in Sydney.

The company announced a 46 per cent dip in net profit, from K51.9m ($53.2m) to K30.5m for the year, on a 21.8 per cent revenue slide to K131.7m from K168.5m. Annual dividend has been cut from 5.5 to 4.5 toea a share.

**ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED ('AAC')**
Registration No. 01/05309/06

**ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED ('AMGOLD')**
Registration No. 05/09054/06
(Both incorporated in the Republic of South Africa)

**PROPOSED RENOUNCEABLE OFFER TO SUBSCRIBE FOR SHARES IN *EASTVAAL GOLD HOLDINGS LIMITED* ('EASTVAAL')**
Registration No. 91/04409/06
(Incorporated in the Republic of South Africa)

Further to the announcement published on 13 August 1993 the attention of ordinary shareholders of AAC and Amgold is drawn to the announcement published today by Eastvaal.

The announcement gives details of the proposed renounceable offer by Eastvaal of rights to subscribe for 100 000 000 Eastvaal shares at a price of 250 cents per share. Subject to the note below regarding persons excluded from the offer the entitlements of:

- members of AAC and Amgold, registered as such at the close of business on Friday 27 August 1993 (i.e. the record date previously specified); and
- holders of AAC and Amgold share warrants to bearer to subscribe for Eastvaal shares are as follows:

AAC members: 15 Eastvaal shares proportionately for every 100 AAC shares held.
Amgold members: 30 Eastvaal shares proportionately for every 100 Amgold shares held.

For further details please refer to the Eastvaal announcement.

Note:
The Eastvaal shares will not be registered with the Securities and Exchange Commission, Washington, D.C., for purposes of the offer or with the Canadian Provincial Securities Commissions or the Australian Securities Commission under the Australian Corporations Law, as amended, and accordingly the offer will not be made to, or be open for acceptance by, persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia ("the USA") or in Canada or the Commonwealth of Australia, its states, territories or possessions ("Australia"). A letter of allocation representing the rights which therefore are not available for acceptance by such persons will be issued to an independent merchant bank or stockbroker which will, if possible, sell these rights on the London Stock Exchange or The Johannesburg Stock Exchange for the account of such persons. Details of the arrangements in this regard will be sent to persons with registered addresses in the USA, Canada or Australia.

Johannesburg
23 August 1993

This announcement has been approved solely for the purposes of Section 57 of the Financial Services Act 1986 by S.G.Warburg Securities Ltd., a member of the Securities and Futures Authority. The value of Eastvaal shares may fall as well as rise. Dividends on Eastvaal shares may fluctuate. Changes in rates of exchange for South African and United Kingdom currencies may have an adverse affect for United Kingdom holders of Eastvaal shares on the value of, or dividends on, their Eastvaal shares.

**EASTVAAL GOLD HOLDINGS LIMITED**
*(Eastvaal)*
(Incorporated in the Republic of South Africa)
Registration No. 91/04409/06

**PROPOSED RENOUNCEABLE OFFER BY EASTVAAL TO ITS SHAREHOLDERS AND/OR PERSONS DESIGNATED BY THEM TO SUBSCRIBE FOR 100 000 000 ORDINARY SHARES OF ONE CENT EACH AT 250 CENTS PER SHARE ("THE OFFER")**

An announcement was published on Friday, 13 August 1993 regarding the intention of Eastvaal to make the offer to raise approximately R250 million to assist in financing the development by Vaal Reefs Exploration and Mining Company Limited (Vaal Reefs) of the Moab Lease area, approximately 2 149 hectares in extent, situated in the district of Viljoenskroon, Orange Free State and which adjoins the South Lease area of Vaal Reefs.

Members of Eastvaal and/or persons designated by them as more fully described below, registered at the close of business on Friday, 27 August 1993 (the record date) and, where applicable, holders of share warrants to bearer, will be offered the right to subscribe for a total of 100 000 000 shares of a nominal value of one cent each at a price of 250 cents per share in the currency of the Republic of South Africa. Acceptances of the offer will be subject to the application for a listing as referred to below being approved by The Johannesburg Stock Exchange (JSE). Full details of the offer and the conditions thereof will be set out in the Eastvaal prospectus which will be published on Friday, 27 August 1993. Copies of the Eastvaal prospectus containing full details of the offer, together with a report by the company's technical advisers and accompanied by renounceable letters of allocation will be posted from Johannesburg and the United Kingdom, on Friday, 3 September 1993.

Renounceable nil paid letters of allocation to subscribe for 100 000 000 shares will be issued as follows:

| | Total number of shares |
|---|---|
| **1. Anglo American Corporation of South Africa Limited (AAC) Anglo American Gold Investment Company Limited (Amgold) and De Beers Consolidated Mines Limited (De Beers)** | |
| 1.1 To members of AAC registered as members on the record date save to the extent otherwise designated in terms of paragraph 1.3 below, and to the holders of AAC share warrants to bearer and to persons who have been granted the right to subscribe for shares in AAC in terms of AAC's share incentive scheme (the options) and who hold the options on that record date – 15 Eastvaal shares proportionately for every 100 shares or options held in AAC at that date; | |
| 1.2 To members of Amgold registered as members on the record date save to the extent otherwise designated in terms of paragraph 1.3 below, and to the holders of Amgold share warrants to bearer – 30 Eastvaal shares proportionately for every 100 shares held in Amgold at that date; | |
| 1.3 To – 1.3.1 AAC and Amgold; 1.3.2 their wholly-owned subsidiaries; 1.3.3 selected members of staff of AAC, Amgold or De Beers or of any of their respective associate companies; designated as to the offeree and stipulating the number of shares to be offered to each offeree, by AAC, Amgold or De Beers, on or before the record date; | |
| an aggregate of | 57 964 304 |
| **2. East Daggafontein Mines Limited (East Dagga) and its members** | |
| 2.1 To East Dagga | 2 273 |
| 2.2 To members of East Dagga registered as members on the record date – 1 Eastvaal share proportionately for every 100 shares held in East Dagga at that date* | 151 231 |
| **3. Free State Development and Investment Corporation Limited (Freddev) and its members** | |
| 3.1 To Freddev | 41 |
| 3.2 To members of Freddev registered as members on the record date – 10.75 Eastvaal shares proportionately for every 100 shares held in Freddev at that date | 2 389 359 |
| **4. Lydenburg Exploration limited (Lydex) and its members** | |
| 4.1 To Lydex | 230 587 |
| 4.2 To members of Lydex, other than East Dagga, registered as members on the record date – 1 Eastvaal share proportionately for every 100 shares held in Lydex at that date* | 1 089 209 |
| **5. Other parties** | |
| To Vaal Reefs | 30 000 000 |
| To Duiker Exploration Limited | 491 100 |
| To Johannesburg Consolidated Investment Company, Limited | 1 470 200 |
| To certain other members of Eastvaal and designated persons | 6 211 696 |
| **Total** | 100 000 000 |

* East Dagga and Lydex shareholders are referred to the announcement by those companies published simultaneously in South Africa

The Eastvaal shares will not be registered with the Securities and Exchange Commission, Washington, D.C., for purposes of the offer or with the Canadian Provincial Securities Commissions or the Australian Securities Commission under the Australian Corporations Law, as amended, and accordingly the offer will not be made to, or be open for acceptance by, persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia (the USA) or in Canada or in the Commonwealth of Australia, its states, territories or possessions (Australia). A letter of allocation representing the rights which therefore are not available for acceptance by such persons will be issued to an independent merchant bank or stockbroker which will, if possible, sell such rights on the London Stock Exchange or the JSE for the account of such persons. Details of the arrangements in this regard will be sent to persons with registered addresses in the USA, Canada or Australia.

The new shares to be offered will be issued in registered form and will rank pari passu in all respects with the existing issued shares of Eastvaal.

For purposes of the offer transfer registers and registers of members of AAC, Amgold, Freddev, East Dagga and Lydex will be closed from Saturday, 28 August 1993 to Saturday, 4 September 1993, both days inclusive.

The offer will open on Friday, 3 September 1993 and will close on Friday, 24 September 1993.

Application has been made to the JSE for a listing of the renounceable letters of allocation and for a total of 378 720 000 shares, being the existing 278 720 000 shares in issue and the 100 000 000 new shares to be offered. It is expected that details of the listing will be advertised in the Press in South Africa on Wednesday, 25 August 1993.

Provided the application for listings on the JSE is approved, dealings will be permitted on the London Stock Exchange (LSE) under its Rule 535.4a in nil paid Eastvaal shares from Tuesday, 31 August 1993 to Wednesday, 22 September 1993, both days inclusive, and in fully paid Eastvaal shares from Thursday, 23 September 1993

*Johannesburg*
23 August 1993

This announcement has been approved solely for the purposes of Section 57 of the Financial Services Act 1986 by S.G.Warburg Securities Ltd., a member of the Securities and Futures Authority. The value of Eastvaal shares may fall as well as rise. Dividends on Eastvaal shares may fluctuate. Changes in rates of exchange for South African and United Kingdom currencies may have an adverse affect for United Kingdom holders of Eastvaal shares on the value of, or dividends on, their Eastvaal shares.



U.S. $250,000,000
**Canadian Imperial Bank of Commerce**
*(A Canadian Chartered Bank)*
**Floating Rate Subordinated Capital Debentures due 2085**

Notice is hereby given that for the six months interest period from August 23, 1993 to February 23, 1994 the Debentures will carry an interest rate of 3.5625% per annum. The interest payable on the relevant interest payment date, February 23, 1994 against Coupon No. 15 will be U.S. $182.08 and U.S. $1,820.80 respectively for Debentures in denominations of U.S. $10,000 and U.S. $100,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
August 23, 1993
CHASE

£200,000,000
MFC Finance No. 1 PLC
NOTICE OF REDEMPTION
**Series 'A' to 'F' Mortgage Backed Floating Rate Notes Due October 2023**

Notice is hereby given, that in accordance with Conditions 5(c) of the Prospectus dated 13th October 1988, the Issuer intends to redeem £1,800,000 in aggregate value of the Notes on the respective September 1993 interest payment dates.

By: Citibank, N.A. (Issuer Services)
August 23, 1993, London
CITIBANK

**The Council of Europe Resettlement Fund**
for National Refugees and Over - Population in Europe
¥10,000,000,000
Floating Rate Notes
Due 1994
(the "Notes")

| | |
|---|---|
| Interest rate | - 4.50% |
| Interest period: from | - 23.8.1993 |
| to | - 23.2.1994 |
| Interest Amount per ¥10,000,000,000 nominal due 23.2.1994 | - ¥226,849 |

Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

TOSHOKU FINANCE NETHERLANDS B.V.
US $15,000,000
Floating Rate Notes 1997

| | |
|---|---|
| Interest Period | 23rd August, 1993 to 22nd February, 1994 |
| Interest Rate | 4.1875% per annum |
| Interest Payment due 22nd February, 1994 per US $10,000 Note | US $212.88 |

Nippon Credit International Limited
London
Agent Bank
23rd August, 1993

To the Holders of
**SHEARSON LEHMAN CMO, INC.**
**Series F, Class F-1 Floating Rate Bonds Due February 20, 2018**

Pursuant to the Indenture dated as of February 1, 1985 between Shearson Lehman CMO, Inc. as Issuer and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period August 20, 1993 through November 19, 1993 as determined in accordance with the applicable provisions of the Indenture, is 3.8750% per annum. Amount of interest payable is $27.663563773 per $10,000 principal amount.

**SHEARSON LEHMAN CMO, INC.**

# INTERNATIONAL CAPITAL MARKETS

### US MONEY AND CREDIT

## Bets off as yields spiral continues

WHY not just sit back and enjoy the ride? That is the message from Wall Street in the face of the seemingly unstoppable rise in long-dated Treasury bond prices.

Sceptics, punished by spiralling prices for their lack of faith in the long end of the market, are finally throwing in the towel. It is the sort of resigned mood that in the past had signalled the peak of a bull market – although given the momentum that has been building in prices, it would take a pretty strong constitution to short the bond market just now.

For weeks, market followers have been lowering their forecasts for long-term yields as rates have plumbed one seemingly improbable depth after another. Fed up with trying to call the bottom – or even a temporary halt to the rise in prices – many have concluded that a 5½ per cent yield on the long bond, or even one as low as 5 per cent, is within sight.

Typical of the revisionism in the air is the opening to Friday's weekly market commentary from Donaldson Lufkin & Jenrette, a Wall Street broker: "The continued proliferation of weaker-than-anticipated economic data, and of better-than-expected inflation news suggests that our previously defined target of 7 per cent for long bond yields is untenable." (Unlike many, though, DLJ still clings to the view that the market will fall back slightly by the year-end.)

By the end of last week, virtually all the forecasts made as recently as two months ago were looking equally untenable. Halfway through this year, a 7 per cent yield on the long bond by the year-end had been a common prediction. On Friday, the yield on the 30-year benchmark ended at 6.21 per cent – around 15 basis points lower than the previous week's breath-taking low and a full 50 basis points (or half a percentage point) lower than a month before.

Each time the market falls back – as it did briefly on Friday – a new surge of buying lifts it again. Fixed income mutual funds – fed by a continuing shift out of bank deposits and money market funds – have been throwing ever bigger piles of cash at the bond market. In the first six months, these funds made $59.7bn of net new purchases of bonds – as much as they made in the whole of 1991, and two-thirds of the record investment made in the 1992.

"The pressures are still very strong for cash to go into Treasuries – there's no real yield on cash whatsoever," says Mr Barton Biggs of Morgan Stanley.

The search for yield elsewhere has led investors to emerging market equities or bonds: markets which are simply too small or illiquid for big US fund managers to provide anything other than a marginal investment. US real estate yields of 8 per cent have provided one alternative (Mr Biggs says Morgan Stanley has taken its holdings from nothing to 9 per cent of assets in less than six months).

However, for the big money looking for a liquid market outside equities – which themselves touched new highs last week, pushing the yield down still further to nearly 2.5 per cent – Treasuries and investment grade corporate paper remain about the only option.

There was another reason for last week's run-up in prices: the latest benchmark 30-year bond, the 6¼ per cent Treasury due 2023, has added scarcity value given that no new long bonds will be auctioned until next February. That pushed its yield at one stage last week to 20 basis points below that available at the same time on the previous benchmark, the 7⅛ stock due 2023, suggesting that a large part of the latest rally may be purely technical.

Where will it all end? Moderate GDP growth and current inflation at around 3 per cent, and easing, provides the sort of background against which long-term inflation expectations could continue to fall.

Why shouldn't real (after-inflation) long-term interest rates fall to the 3 per cent level of the 1950s and 1960s, ask observers like Mr Stephen Slifer of Lehman Brothers. That makes long bond yields of 5¼ per cent a real possibility, and soon.

A grudging Mr Biggs, who has reduced his bond weighting from 40 per cent at the peak to 27 per cent now, concedes: "Can yields get to 6 per cent, or even 5¾? Yes."

But he adds: "For the bond market, it's late in the game – we're already in the fourth quarter."

**Richard Waters**

### UK GILTS

## Inflation euphoria begins to wane

GOVERNMENT bond markets do not like booms. Any doubters have only to look at how the long end of the gilts market has been propelled to the highest levels for more than a generation by the UK's low inflation and modestly-paced economic recovery.

Reflecting on recent statistics, Mr Neil Williams, economist at Daiwa, the Japanese bank, said: "The past three months have seen nothing but good news, particularly on the inflation front."

But are the figures too good to be true? Towards the end of last week, profit-taking and a slight waning of bullishness saw prices ease slightly.

"The danger is that this current mood of optimism about inflation won't last," said one London fund manager. "If there is just a ripple of inflation in the autumn the long bonds, which are super-sensitive, will come down."

Furthermore, when looked at in comparison with European bonds, the rally at the long end looks less justified than it does in a domestic context.

The spread between gilts and German bunds, for example, has become so tight that some analysts do not believe gilts have much further to rise, other than in the context of a general rally in European government bonds.

"This rally has been an outperformance relative to the rest of Europe," said Mr David Mackie, UK economist at JP Morgan, the US investment bank.

The current spread between bunds and gilts is 75 basis points, compared with more than 100 basis points six months ago. Between French OATs and bunds the spread is close to zero, while the spread between bunds and Spanish bonds is about 300 basis points.

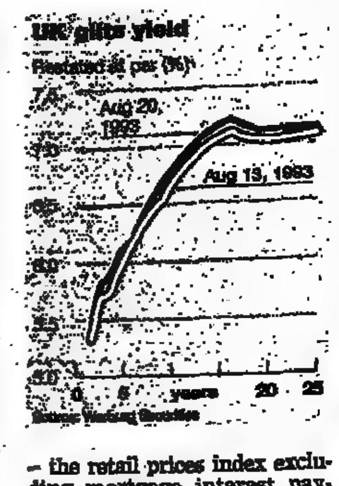
"If one sees the spread as a reflection of inflation expectations, then clearly the market expects French inflation to match German inflation in the medium term, even though French inflation is currently much lower," said Mr Mackie.

The implication of the spread between Germany and Spain is that the market does not expect Spain to be able to control inflation in the long run.

"So to have a spread of 75 for the UK probably means that, on average over the next few years, UK inflation is going to be only less than one percentage point above German inflation. I think that is too optimistic in the medium term," said Mr Mackie.

There are reasons to be sceptical about the UK's chances of performing so well in relation to German inflation, even if price rises remain subdued by UK standards.

Underlying inflation in Germany, which strips out the distorting effects of taxation, is at roughly 3.5 per cent, while underlying inflation in the UK – the retail prices index excluding mortgage interest payments – is just under 3 per cent.




But Germany is some two years behind the UK in the economic cycle, and has further big gains in inflation to look forward to.

Although inflation in the UK may stay low, there is a general feeling among economists that it has already seen most of the gains it can expect to have on the inflation front.

This view was reinforced by the small upwards movement in both the headline and underlying rates of inflation revealed in official figures published last week.

These showed that prices rose 1.4 per cent in the year to July, compared with 1.2 per cent in the previous month. Underlying inflation was 2.9 per cent, compared with 2.8 per cent.

"From a purely domestic point of view, the rally in gilts looks justified," said Mr Mackie. "But vis-à-vis Europe, it looks as though we have overshot."

In spite of these gloomy thoughts, the gilt bulls are still out there. "These stunningly good levels can be maintained," said Mr Nick Knight, head of strategy at Nomura Research.

"I think the fact that the inflation picture is sufficiently stable, and that news on the public sector borrowing requirement will improve as growth picks up, means that we can hold these levels."

Mr Nigel Richardson at Yamaichi, the Japanese securities house, echoes these thoughts. "The shift in inflation expectations means we have seen the gilts market shift to a new yield level of between 7¼ and 7½ per cent at the long end," he said.

Over the week, 10-year gilts saw a rise in yields of about 10 basis points. The increase was slightly less further out. On Friday night, the 8 per cent Treasury bond maturing in 2003 was quoted at 107⅜ to yield 6.96 per cent, almost a point lower on the week.

Further out, the 8¾ per cent Treasury bond maturing in 2017 was quoted at 115¾, yielding 7.37 per cent compared with 115⅜.

**Emma Tucker**

### EUROPEAN BONDS

## Waiting for a German interest rate cut

"WILL they or won't they?" is the question buzzing round the European government bond markets. For what everyone wants to know is whether the Bundesbank's council members will agree to cut interest rates when they convene for their first meeting after the summer recess on Thursday, paving the way for other European central banks to ease.

It was the Bundesbank's failure to lower the key discount (or floor) rate at its last meeting in July that precipitated a crisis in the European exchange rate mechanism. As a result the whole system had to be revamped at the beginning of August. When the European government bond markets opened on August 2, they found the fluctuation bands within which currencies could move had been widened to 15 per cent, dressing up a floating-rate system as a semi-fixed one and raising expectations that most of Europe's central banks would have a free rein to slash interest rates.

Given that the Bundesbank was not prepared to lower its key interest rate at the end of July – and in the process rescue the old-style European exchange rate mechanism – what reason is there to believe it will cut rates this time?

"Although the weakness of the west German economy, and the recent attempts by the government to reduce the budget deficit keep open the chance of a rate cut, it is difficult to see the recent German data triggering an easing this coming week," says Mr Gerard Lyons, chief economist at DKB International.

The Bundesbank's latest monthly report stressed that monetary growth and inflation were still too high, and that the July M3 money supply figures, released last week, had crushed hopes of an imminent easing. Many in the market had predicted the July M3 figure would be "artificially high", since it was expected to include the effects of intervention related to ERM turbulence at the end of last month.

However, in the event not only was the figure high at 7.5 per cent (compared with 7.0 per cent in June and well above the Bundesbank's target range of between 4.5 and 6.5 per cent), but it turned out that intervention had little to do with the number. In fact, the effects of intervention will show up in the August figures instead.

In addition to poor money supply figures, economists point out that the Bundesbank is unlikely to get much joy from the cost-of-living figures due out this week, as these are expected to show that inflation remains stubbornly high.

Against this background, many say there is not much chance of the Bundesbank delighting the market with a 50 basis point cut in the discount rate – although some economists point out that the mere five basis point difference between the discount rate (now 6.75 per cent) and the repo rate (6.80 per cent) means it is possible the Bundesbank may make a technical adjustment to the former.

Mr Adrian James, international bond analyst at NatWest Capital Markets, believes that "even a cut in the discount rate (at this Thursday's Council meeting) is unlikely to be followed by much action on the repo rate". So ERM members will have to act on their own initiative, rather than waiting for Germany to move first.

**Sara Webb**

### FT/ISMA INTERNATIONAL BOND SERVICE

| U.S. DOLLAR STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| Abb Intl Fin 8½ 96 | 200 | 104 | [illegible] | 4.83 |
| Abbey Natl Treasury 6½ 03 | 1000 | 101⅛ | [illegible] | 6.27 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

FLOATING RATE NOTES

CONVERTIBLE BONDS

Closing prices on August 20

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INTERNATIONAL BONDS

# Mexican stand-off raises fears of prices decline

MEXICO'S determination to raise funds as cheaply as possible has raised fears that investors could lose confidence temporarily in the emerging markets sector of the international bond market.

Three years ago, Mexican borrowers led the way for other Latin American countries into the international capital markets for the first time since the debt crisis of the 1980s. So far, even the most cynical investor would have difficulty playing down the success of their return.

The most important gauge of this success has been the dramatic improvement in the pricing of Latin American Eurobond issues relatively quickly. Furthermore, their offerings now appeal to a much wider range of investors as the market becomes more liquid.

However bankers are worried a lot of this progress could come undone if Mexico attempts to force what they perceive to be aggressive funding targets on unwilling investors. Currently, Mexican state-owned borrowers have to pay a premium, or "spread", of just over 200 basis points above the yield on US Treasuries, widely seen to be the threshold for borrowers without an investment grade rating.

The only Latin American countries to have achieved an investment grade rating so far are Chile and Colombia, assigned by Standard & Poor's, the US credit rating agency.

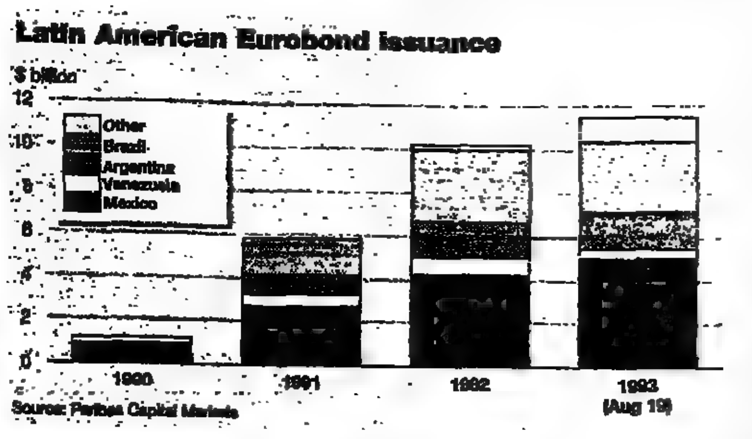
Mexico has a credit rating of BB+ from S&P and Ba2 from Moody's, the other leading US rating agency. Although the country is thought to be close to gaining an investment grade rating, bankers do not believe this will be assigned until the North American Free Trade Agreement comes into force at the start of next year. And bankers are confident that Mexico will be assigned an investment grade rating shortly afterwards.

However, it appears that the Hacienda, Mexico's finance ministry, is unwilling to wait that long and has been trying to force the issue with the investment community.

To reach its objective, the Hacienda appears to be preventing government agencies from borrowing funds at a spread of more than 200 basis points above US Treasuries. By law, any transaction by a Mexican agency has to be approved by the finance ministry.

There have been reports that this was why some weeks ago an international bond offering for the state-owned Comisión Federal de Electricidad was postponed at the last minute.

Latin American Eurobond issuance




Source: Paribas Capital Markets

Bankers say the Hacienda has been encouraged to take this stance since Mexico has been able to raise short-dated funds under its Euro-commercial programme at a spread of just 125 basis points above US Treasuries.

But they add there is only limited investor appeal for Mexican paper at this level of pricing, partly because of the short maturity of three or six months. In their view, it would be difficult to bring a large bond issue with a longer maturity at a similar spread over US Treasuries.

Bankers fear that what has become known as the "Mexican stand-off" could lead to a fall in prices of Latin American bonds. "It is a big step to push through this level," says one banker, adding that a badly-timed deal could prompt heavy profit-taking in Latin American bonds.

Bankers believe Mexico will get close to its funding target over the coming months, but they reckon it would be against its long-term interest to try it at all costs.

The country would find itself competing against sovereign borrowers with better credit ratings and its impatience could end up alienating investors, they warn. "Mexico is no longer the only game in town," says one banker.

Indeed, investors can now choose from a much wider range of Latin American issuers. In 1990, Mexican issuers accounted for more than 75 per cent of all Latin American Eurobonds. However, this proportion has dropped below 50 per cent.

Argentine and Brazilian borrowers now make regular appearances in the international bond market. Over the past year, the first deals were launched for Uruguay, Colombia, Trinidad & Tobago and Chile.

Last week, Anacafe, Guatemala's national coffee association, raised $60m through a three-year issue of amortising notes.

In addition, Peruvian borrowers are expected to make their debut on the market in the fourth quarter, kicking off with a three-year issue by a state-owned bank.

Bankers are confident any fall-out from the Mexican pricing issue will not damage the emerging market sector of the Euromarket in the long term. "The spread on best credits should continue to tighten," one banker says.

They note that the increasing number of large and comparable bond issues have established valuable benchmarks from which issuers and investors alike are able to get a good sense of pricing.

**Antonia Sharpe**

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Maturity | Coupon % | Price | Yield % | Launch spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Cemex(c) | 120 | Aug.2000 | 10# | 99.74R | 8.550 | +311 (8¾%-00) | Citibank International |
| World Bank‡ | 100 | Sep.1998 | (d) | 100R | - | - | Morgan Stanley Intl. |
| Finnish Export Credit(f)‡ | 200 | Aug.1997 | (f) | 99.8R | - | - | Merrill Lynch Intl. |
| Stars IV, Cayman Is.‡ | 120 | Dec.1998 | (g) | 100R | - | - | Kidder Peabody Intl. |
| Bombril, Brazil(h)◊ | 93 | Aug.1998 | 8# | 100R | - | - | Banque Indosuez |
| Fujita Corp. USA‡ | 50 | Sep.1997 | (i) | 100R | - | - | Sakura Finance Intl. |
| Kingdom of Denmark‡ | 1bn | Sep.1997 | (n) | 100R | - | - | Lehman Brothers Intl. |
| Exxon Capital Corp. | 250 | Sep.2008 | 6.125 | 99.817R | 6.144 | +37 (5¾%-03) | Morgan Stanley Intl. |
| Credit Suisse, London Branch | 200 | Sep.2003 | 6.125 | 99.49R | 6.195 | +41 (5¾%-03) | CSFB |
| Banco Quilmes, Argentina | 50 | Sep.1998 | 8.75# | 99.75R | 8.847 | +445 (4¾%-98) | Pru.-Bache Secs. (UK) |
| Lavoro Bank O'seas, Neths.‡ | 150 | Sep.1998 | (p) | 99.36R | - | - | Morgan Stanley Intl. |
| Anacafé, Guatemala(q) | 60 | Aug.1996 | 11# | 100R | 11.000 | - | VestcorPartners, Miami |
| **D-MARKS** | | | | | | | |
| Council of Europe(j) | 150 | Sep.1998 | 7 | 100.7 | 6.615 | - | Trinkaus & Burkhardt |
| LB Schleswig Holstein(t) | 150 | Sep.2003 | 6.5 | 99.625R | 6.552 | - | Morgan Stanley, Fin. |
| **STERLING** | | | | | | | |
| Province of Ontario | 255 | Sep.2000 | 6.875 | 99.069R | 7.048 | +35 (9%-00) | BZW/ Salomon Brothers |
| Woolwich Building Society | 200 | Sep.1998 | 7 | 99.57R | 7.105 | +65 (7¼%-98) | CSFB |
| CEPME, France(r) | 30 | undated | 8.5 | 99.02R | 8.650 | +160 (8%-03) | Hoare Govett Corp. Fin. |
| Forte‡ | 50 | Oct.1998 | (u) | undisc. | - | - | Merrill Lynch Intl. |
| **FRENCH FRANCS** | | | | | | | |
| SNCF | 3bn | Sep.2013 | 6.75 | 95.83R | 7.060 | +18 (8½%-12) | Société Générale |
| Crédit Lyonnais | 1.5bn | Sep.2004 | 6.75 | 97.61R | 7.070 | +67 (8½%-04) | Crédit Lyonnais |
| **YEN** | | | | | | | |
| Marubeni Intl. Finance‡ | 5bn | Aug.1994 | (k) | 100 | - | - | Sanwa International |
| **CANADIAN DOLLARS** | | | | | | | |
| Province of Quebec(e) | 1bn | Dec.2003 | 7.5# | 98.613R | 7.667 | +68 (7¼%-03) | M.Lynch/ ScotiaMcLeod |
| European Investment Bank | 500 | Sep.2000 | 6.625 | 98.64R | 6.876 | +12 (l) | BZW/ Salomon Brothers |
| State Bk. of New South Wales | 150 | Sep.2003 | 7.5 | 99.298R | 7.607 | +52 (7¼%-03) | Merrill Lynch Intl. |
| **GUILDERS** | | | | | | | |
| ING Bank | 400 | Sep.2008 | 7 | 100.75R | 6.918 | +25 (8¼Sep37) | ING Bank |
| Bank for Dutch Municipalities | 500 | Sep.2008 | 6.75 | 99.65R | 6.788 | +25 6(8¼Sep07) | ABN Amro Bank |
| Bank for Dutch Municipalities | 500 | Sep.2000 | 6.25 | 99.7R | 6.304 | +25 6 (7¼-00) | ABN Amro Bank |
| **ITALIAN LIRA** | | | | | | | |
| Rabobank Nederland(o) | 200bn | Sep.2003 | 9 | 100.25R | 8.961 | - | Banca Commerciale Italiana |
| Kingdom of Sweden(s) | 200bn | Sep.2003 | 9.125 | 100R | 9.125 | - | Banca di Roma |
| **ECUS** | | | | | | | |
| Compagnie Bancaire(m) | 200 | Sep.1999 | 6.5 | 99.6R | 6.563 | +32½ (7¼%-98) | Paribas Capital Markets |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| R & I Bank Western Australia | 100 | Sep.2003 | 7.25 | 100.95 | 7.114 | - | Hambros Bank |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Telecom Corp. of NZ Finance | 75 | Sep.2000 | 6.5 | 100.3 | 6.446 | - | Hambros Bank |
| **SWISS FRANCS** | | | | | | | |
| Kanamoto Co.(a)★◊ | 50 | Aug.1997 | 0.875 | 100 | - | - | Yamaichi Bank (Switz.) |
| Rio Chain Co.(b)★◊ | 70 | Sep.1997 | 0.875 | 100 | - | - | Nomura Bank (Switz.) |
| Bayerische Vereinsbank | 150 | Sep.2003 | 4.625 | 102.375 | 4.327 | - | Credit Suisse |
| Halifax Building Society | 150 | Sep.1998 | 4.5 | 102.3 | 3.984 | - | UBS |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. ◊With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denom.: SFr50,000 + 50 warrants. Exercise price: Y2876. FX: 67.41Y/SFr. b) Denom.: SFr50,000 + 50 warrants. Exercise price: Y1986. FX: 69.13Y/SFr. c) 15% withholding tax applies; net yield is shown. d) Coupon pays 4% annual (ie 2%) on 13/3/94 and 11.5% - 6-month Lira Libor (in $) thereafter. e) Global issue. Short 1st coupon. An additional C$100m was issued to Caisse de Depot et Placement de Quebec. f) Callable on interest payment dates from Aug.1995 at par. Coupon pays 3-month Libor flat. g) Coupon pays 3-month Libor + 0.5%; maximum 12%. h) Series A notes. Denom.: $50,000 + 1,650 warrants; each warrant gives holder the right to subscribe for preferred shares at $30.35 per 1,000 shares. Puttable on 26/8/96 at 90%. Series B notes of $57m were issued to major shareholder with identical terms except warrants are exercisable into common shares. i) Coupon pays 6-month Libor + 0.325%. j) Issuer has the choice of redeeming each DM10,000 bond at face value or $6,000 conditional on the DM/$ exchange rate not exceeding 1.85. k) Coupon pays 3-month Libor + 0.1%. l) Spread is over the interpolated yield curve. m) Spread is over French BTANs. n) Coupon pays 3-month Libor - 0.125%. o) Callable at par on 9/9/98 and annually thereafter. p) Coupon pays 3-month Libor + 0.5%. q) Amortising notes. Average life: 4 years. r) Subordinated bonds. Callable at par on 16/9/03 and every 5 years thereafter. If any call is not exercised coupon will be reset at spread of 240bp over prevailing 5-year gilt. s) Callable at par on 16/9/96 and annually thereafter. t) Callable at par on 16/9/95 and annually thereafter. u) Coupon pays 3-month Libor + 0.75%. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

# Flexibility broadens appeal of customised options deals

WITH London and New York stock markets scoring historic highs, big-time money managers are seeking hedges to protect their profits and risk management specialists are finding ready buyers for their customised options strategies.

While sophisticated small investors generally use exchange-traded options to protect share value or add to a speculative position, institutions with billions of dollars under management turn to the over-the-counter market, where deep-pocketed private dealers write them customised options.

Exchange-traded options typically lock a user into fixed terms and strike prices and lack the flexibility required by institutions.

The Chicago Board Options Exchange, in a bid to capture some of Wall Street's private business, launched its own version of customised options six months ago. The CBOE's "Flex Options", as they are called, allow institutions to buy or sell options on the benchmark Standard and Poor's 100 and 500 indices with four different customised features.

This month, the CBOE added the Russell Index, a basket of 2,000 small-capitalisation US stocks, to its Flex options product line. Flex users can select their own strike prices, pick expiration dates up to five years into the future, and choose their preferred method of settlement and the style of options exercise.

The exercise choices are American style, where the option can be exercised anytime before expiration, and European style, where the option can be exercised only on the last business day of the contract.

Much bigger than the CBOE's standard index options, Flex options contracts have a minimum face value of $10m. Since the CBOE listed Flex options on February 26 there have been 168,477 trades for a notional face value of $7.5bn.

The exchange products are far from eclipsing the estimated $50bn in customised equity options traded over the counter each year. However, Flex options use is expected to grow as customers learn more about the product.

"Flex offers customised structuring of exposures. There is a great need for this by smaller- and medium-sized money managers," says Mr Jack Hanson, partner in Clifton Group, the Minneapolis-based investment management company.

While the Flex options do not offer the compete freedom of over-the-counter contracts, they are suitable for many "plain vanilla" options hedges used by institutions. And, unlike their private counterparts, their pricing is public and easily accessible.

Also, for corporations concerned about credit quality, the CBOE's new products are backed by the exchange's top-rated options clearing house. "We're trying to complement the over-the-counter market," said Mr David Hall, CBOE vice-president for international marketing. "There are still a lot of exotic options that we can't accommodate at the exchange."

The Flex concept has proved so successful that the exchange plans to give it an international dimension. "Our next phase is to list some foreign indices, including Flex options on a US-dollar-denominated FT-SE 100 index," said Mr Hall.

The exchange holds rights to trade dollar-settled versions of FT-SE instruments, and trades standard options on the FT-SE index now. In another bid for international business, the exchange will soon add another customised aspect to the product: users will be able to choose the currency in which they would like their options settled.

The CBOE's bid for international customers could be pre-empted by copy-cat products at European exchanges. Officials at Liffe, London's futures and options exchange, say they are seriously considering listing sterling-settled flexible options on the FT-SE 100 index.

CBOE officials say they have also received queries about the product from Matif, France's futures exchange, as well as from the Tokyo stock exchange. The CBOE's domestic rival, the American Stock Exchange in New York, plans to roll out its own customised index options product later this year.

**Laurie Morse**

# WORLD STOCK MARKETS

## CANADA

TORONTO

*4 pm close August 20*

Quotations in cents unless marked $

MONTREAL

*4 pm close August 20*

## INDICES

### NEW YORK

| DOW JONES | Aug 20 | Aug 19 | Aug 18 | Aug 17 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3615.48 | 3612.13 | 3604.86 | 3586.98 | 3615.48 (20/8) | 3241.95 (20/1) | 3615.48 (20/8/93) | 41.22 (2/7/32) |
| Home Bonds | 109.11 | 109.02 | 108.89 | 108.93 | 109.11 (20/8) | 103.49 (11/1) | 109.11 (20/8/93) | 54.99 (1/10/81) |
| Transport | 1633.26 | 1634.63 | 1640.10 | 1642.94 | 1683.06 (16/4) | 1453.54 (4/1) | 1683.06 (16/4/93) | 12.32 (8/7/32) |
| Utilities | 251.45 | 250.85 | 251.05 | 250.79 | 252.04 (5/8) | 217.14 (8/1) | 252.04 (5/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's High 3633.37 (3632.25) Low 3590.55 (3581.11) (Theoretical)
Day's High 3616.48 (3612.13) Low 3595.92 (3597.60) (Actual)

### STANDARD AND POOR'S

| | Aug 20 | Aug 19 | Aug 18 | Aug 17 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 460.16 | 458.43 | 459.04 | 460.13 | 460.43 (19/8) | 429.05 (8/1) | 460.43 (19/8/93) | 4.40 (1/6/32) |
| Industrials¶ | 515.73 | 518.81 | 517.86 | 513.98 | 524.99 (10/3) | 485.46 (26/4) | 524.99 (10/3/93) | 3.62 (21/6/32) |
| Financial | 46.23 | 46.32 | 46.45 | 46.32 | 46.66 (12/8) | 39.66 (8/1) | 46.66 (12/8/93) | 8.64 (1/10/74) |
| NYSE Composite | 253.25 | 253.23 | 252.87 | 251.27 | 253.25 (20/8) | 236.21 (8/1) | 253.25 (20/8/93) | 4.46 (25/4/42) |
| Amex Mkt. Value | 448.70 | 447.96 | 445.63 | 442.66 | 448.70 (20/8) | 395.84 (8/1) | 448.70 (20/8/93) | 29.31 (9/12/72) |
| NASDAQ Composite | 730.65 | 730.48 | 734.93 | 731.01 | 734.93 (18/8) | 645.87 (26/4) | 734.93 (18/8/93) | 54.87 (31/10/72) |

| | Aug 13 | Aug 6 | Jul 30 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.85 | 2.87 | 2.85 | 3.11 |
| | **Aug 18** | **Aug 11** | **Aug 4** | **year ago (approx.)** |
| S & P Industrial div. yield | 2.46 | 2.52 | 2.53 | 2.62 |
| S & P Ind. P/E ratio | 25.60 | 25.14 | 25.09 | 29.06 |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| BP | 10,219,100 | 55⅞ | - ⅛ |
| Chrysler | 6,758,700 | 41¼ | - 1⅞ |
| Mattel | 5,951,900 | 27⅞ | + 1½ |
| Wal-Mart | 4,857,300 | 25¼ | + ⅜ |
| Fisher Price | 4,636,400 | 32 | + 6⅛ |
| Am. T & T | 4,485,300 | 58⅞ | + ⅛ |
| Merck | 4,190,600 | 32¼ | - ⅜ |
| Gen Motors | 4,188,600 | 44¼ | - ¼ |
| Home Depot | 3,796,100 | 41⅝ | + ⅞ |
| Ford Motor | 3,694,300 | 49⅞ | - 1⅛ |

### TRADING ACTIVITY

| † Volume (Millions) | Aug 20 | Aug 19 | Aug 18 |
|---|---|---|---|
| New York SE | 274.834 | 291.711 | 308.204 |
| Amex | 18.314 | 24.710 | 21.864 |
| NASDAQ | (a) | 289.171 | 331.840 |
| **NYSE** | | | |
| Issues Traded | 2,632 | 2,602 | 2,620 |
| Rises | 1,010 | 970 | 1,268 |
| Falls | 947 | 976 | 768 |
| Unchanged | 675 | 656 | 586 |
| New Highs | 109 | 122 | 173 |
| New Lows | 17 | 12 | 15 |

### CANADA

| TORONTO | Aug 20 | Aug 19 | Aug 18 | Aug 17 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3120.80 | 3119.92 | 3120.23 | 3118.31 | 3140.94 (15/8) | 2743.31 (21/1) |
| Composite | 4077.20 | 4069.60 | 4069.31 | 4032.51 | 4077.20 (20/8) | 3275.80 (21/1) |
| MONTREAL Portfolio | 1950.06 | 1937.97 | 1932.02 | 1918.33 | 1950.06 (20/8) | 1730.87 (21/1) |

*Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83.* [illegible]

## TOKYO - Most Active Stocks

Friday, August 20, 1993

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Ricoh | 6.7m | 815 | +18 |
| Hokkaido Bank | 4.8m | 649 | -11 |
| Nippon Steel | 3.6m | 376 | -4 |
| Canon Inc | 3.8m | 1,420 | +40 |
| Nippon Express | 3.4m | 1,140 | +30 |
| Hitachi | 3.3m | 845 | -6 |
| Kamigumi | 3.1m | 1,270 | +10 |
| Sharp Corp | 2.8m | 1,450 | +30 |
| Kawasaki Steel | 2.9m | 365 | -6 |
| Fujitsu | 2.7m | 780 | +14 |

## JAPAN

# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (☆) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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State Street Unit Trust Mngmt Ltd (1400)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

Allied Dunbar Assurance Plc - Contd.

American Life Insurance Co UK

City of Westminster Assurance (z)

Friends Provident

Irish Life Assurance Co Plc

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

## INSURANCES

## OTHER UK UNIT TRUSTS

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Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Amicable - Contd.

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Tilney Life Assurance

Templeton Life Assurance Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

## OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Fidelity Investments Life Assurance

Friends Provident International

Isle of Man Assurance Ltd

Providence Capital International Ltd

Royal Skandia Life Assurance Ltd

Scottish Provident Intl Life Assurance Ltd

Sun Alliance International Life

Target International Group

## MANAGEMENT SERVICES

Capital Trust Financial Management

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

IPS Capital Management PLC

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Charles Stanley & Co Ltd

J. D. Ward Financial Services Ltd

United Financial Corporation Ltd

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Butterfield Fund Managers

Orion Fund Limited

### CANADA (SIB RECOGNISED)

GSC Asset Management

### GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mngt (Guernsey) Ltd

Barings Intl Fd Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Barclays Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

### GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Castrust Management (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Investment Portfolio Svs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Sarasin International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Rudolf Wolff Capital Management Ltd

Yamaichi Capital Mangmt (Guernsey) Ltd

## IRELAND (SIB RECOGNISED)

Coutts & Co Fund Managers Limited

Dresdner Intl Management Services Ltd

Federated International Funds Plc

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd

Pacific International Fund Plc

Singer & Friedlander Inv Funds Ltd

Swiss Life Investment Fund (s)

## IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd

Barings International Fd Mgrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Chemical Fund Administrators Ltd

GT Asset Management International Ltd

Genesis Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Morgan Grenfell Profunds Plc

Old Mutual International Fd Mngrs Ltd

Old Mutual International Ltd

Paine Webber Offshore Funds Plc

J. Rothschild International Assce plc

J. Rothschild International Assce plc - Contd.

Sanwa International (Ireland) Plc

Ulster Bank Investment Services

Yellow Sea Investment Company PLC

## ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mgrs (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

## ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisors Ltd

CMI Fund Mngrs (IOM)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBI Managers (IoM) Ltd

R & H Fund Managers Ltd

## JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

Coutts & Co (Jersey) Fund Managers Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

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### Prudential Fund Managers (Jersey) Ltd

PO Box 103, St Helier, Jersey 0534 70009

Prudential Currency Fd (Formerly Vanbrugh Currency Fd)

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| Income (A & B) | 5 | 212.7 | 212.7 | 223.3 | 3.52 | 4594 |
| Growth (C & D) | 5 | 320.5 | 320.5 | 338.4 | - | 4595 |

### [illegible] Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 27441

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| Govt Secs Fd | 4 | 58.84 | 58.84 | 50.18 | 7.43 | [illegible] |

### Standard Bank Fund Mgmt (Jersey) Ltd

PO Box 583, St Helier, Jersey CI 0534 67557

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| International Bond | 5 | $- | 16.18 | 17.10 | 4.50 | [illegible] |
| Sterling Bond | 3 | £- | 10.79 | 10.55 | 8.28 | [illegible] |
| Sterling Cap | | £- | 42.86 | 42.87 | 5.29 | [illegible] |

### TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 503002

TSB Offshore Investment Fund Ltd

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| Stg Deposit Class | 3 | 103.85 | 101.65 | 105.81 | 6.00 | [illegible] |
| Gilt & Fixed Interest | 3 | 128.85 | 124.85 | 129.27 | 7.18 | [illegible] |
| Blue Chip & Gilt Edged | 5 | 65.36 | 65.36 | 68.80 | 3.31 | [illegible] |
| International Bond | 5 | 141.24 | 141.24 | 148.98 | 4.77 | [illegible] |
| UK Equity | 5 | 278.92 | 284.85 | 299.95 | 1.13 | [illegible] |
| International Equity | 5 | 195.64 | 198.35 | 208.79 | 0.33 | [illegible] |
| Far Eastern | 5 | 183.35 | 186.83 | 196.46 | 0.00 | [illegible] |
| European | 5 | 143.09 | 144.09 | 151.68 | 0.00 | [illegible] |
| Pan American | 5 | 403.49 | 407.82 | 429.28 | 0.00 | [illegible] |

TSB Gilt Fund Ltd

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| Quarterly Share | 3 | 111.20 | 111.20 | 114.85 | 7.31 | 4933 |
| Monthly Share | 3 | 109.70 | 109.70 | 113.30 | 7.41 | 4934 |

## JERSEY (REGULATED)(**)

### Barclays Intl Funds

Asian Selection Funds

| | Bid Price | Offer Price | Yield Gross | City-Line |
|---|---|---|---|---|
| China | $8.451 | 8.898 | 0.0 | - |
| Hong Kong | $30.040 | 31.621 | 0.0 | 44544 |
| Indonesia | $11.409 | 12.010 | 0.0 | 44686 |
| Japan | $10.073 | 10.603 | 0.0 | - |
| Korea | $11.201 | 11.791 | 0.0 | 44687 |
| Malaysia | $21.477 | 22.818 | 0.0 | 44698 |
| Philippines | $17.299 | 18.210 | 0.0 | 44699 |
| Singapore | $14.088 | 14.829 | 0.0 | 44700 |
| Thailand | $22.195 | 23.331 | 0.0 | 44717 |
| South East Asia | $27.161 | 28.591 | 0.0 | 44718 |
| US Dollar Liquidity | $9.580 | 10.050 | 0.7 | 44875 |

### Cater Allen Investment Management (CI)

### Barclays Inv Funds (Luxembourg)

41 Avenue de la Gare L-1611 010 352 404344

Equity Funds

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| European Equity ♣ | 5¼ | | £- 0.986 | 1.048 | 6.3 | [illegible] |
| Intl Equity ♣ | 5¼ | | £- 1.024 | 1.021 | 0.6 | [illegible] |
| North Am Eqty ♣ | 5¼ | | $- 35.80 | 37.88 | 0.3 | [illegible] |
| Pacific Eq ♣ | 4¼ | | $- 6.836 | 7.209 | 0.5 | [illegible] |
| UK Equity ♣ | 5¼ | | £- 1.174 | 1.249 | 2.8 | [illegible] |

Bond Fund

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| International Bond ♣ | 3½ | | $- 96.98 | 101.07 | 5.3 | [illegible] |

### CMI Asset Management (Luxembourg) SA

203 route d'Arlon, L-1150 Lux 010 352 458825

CMI Managed Portfolio Investment Company (u)

| | Init Chrge | Canc Price | Bid Price | Offer Price | Yield Gr's | City-Line |
|---|---|---|---|---|---|---|
| Safeguard Portfolio F | | | £- 1.283 | 1.360 | - | [illegible] |
| Growth Portfolio F | | | £- 1.190 | 1.267 | - | [illegible] |
| Enterprise Portfolio F | | | £- 1.160 | 1.233 | - | [illegible] |

### Commercial Union Luxembourg SA (u)

41 Ave de la Gare L-1611 010 352 4028 20281

Commercial Union Privilege Portfolio

Equity Funds

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

FOREIGN EXCHANGE AND MONEY MARKETS

# Bundesbank meets

AFTER four weeks of crisis, the currency markets will be back to their old habits this week, trying to guess what the Bundesbank will do at its council meeting on Thursday, *writes James Blitz.*

The last Bundesbank meeting before its summer recess was, of course, the one at which it failed to cut the discount rate and keep the exchange rate mechanism within its former fluctuation bands.

Ironically, there is strong speculation that the Bundesbank will cut its discount rate at the forthcoming session, because the repo rate, at 6.80 per cent, is so close to the discount rate floor of 6.75 per cent.

**UK clearing bank base lending rate 6 per cent from January 26, 1993**

But, even if this does happen, few people expect the repo rate, which sets the cost of lending short-term funds to commercial banks, to be reduced. Instead, the central bank is likely to keep its weekly money market tenders tight for some time. That is because the M3 money supply figure for August should remain high, reflecting the high level of intervention.

After last week's surprising intervention by the US Federal Reserve in support of the dollar/yen exchange rate, dealers will be waiting to see today whether the Japanese currency resumes its upward move.

In the absence of intervention on Friday, the yen rose again, piercing the Y105 level in London. If Japanese exporters anticipate another rise in their currency, they may be encouraged to sell dollars now in the belief that they could get fewer yen for them if they wait.

The response of the US authorities will also be important. Mr Shaun Osborne, a senior foreign exchange analyst at Technical Data in London, said: "Consistent central bank support will be needed to convince the market that the game is up."

## POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

## £ IN NEW YORK

| Aug 20 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.5145-1.5152 | 1.5050 1.5060 |
| 1 month | 0.36-0.35pm | 0.36 0.35pm |
| 3 months | 1.02-1.00pm | 1.02 1.00pm |
| 12 months | 2.90-2.80pm | 2.90 2.80pm |

Forward premiums and discounts apply to the US dollar

## OTHER CURRENCIES

| Aug 20 | £ | $ |
|---|---|---|
| Argentina | 1.5115 - 1.5125 | 0.9985 - 1.0000 |
| Australia | 2.2275 - 2.2295 | 1.4760 - 1.4775 |
| Brazil | 130.360 - 130.385 | 86.1910 - 86.1930 |
| Finland | 8.6415 - 8.7235 | 5.7650 - 5.7850 |
| Greece | 352.700 - 359.900 | 234.500 - 238.300 |
| Hong Kong | 11.6965 - 11.7115 | 7.7495 - 7.7515 |
| [illegible] | [illegible] | [illegible] |

## STERLING INDEX

[illegible]

## CURRENCY MOVEMENTS

[illegible]

## CURRENCY RATES

[illegible]

## CHICAGO

[illegible]

## LONDON RECENT ISSUES

EQUITIES

[illegible]

## FIXED INTEREST STOCKS

[illegible]

## RIGHTS OFFERS

[illegible]

## EXCHANGE CROSS RATES

[illegible]

## EURO-CURRENCY INTEREST RATES

[illegible]

## FT LONDON INTERBANK FIXING

[illegible]

## MONEY RATES

[illegible]

## LONDON MONEY RATES

[illegible]

## BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

## WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6 | Cyprus Popular Bank | 6 | NatWestminster | 6 |
| Allied Trust Bank | 6 | Duncan Lawrie | 6 | Nykredit Mortgage Bnk | 6.5 |
| AIB Bank | 6 | Equatorial Bank plc | 6 | ●Rea Brothers | 6 |
| ●Henry Ansbacher | 6 | Exeter Bank Limited | 7 | *Roxburghe Bank Ltd | 6 |
| B & C Merchant Bank | 13 | Financial & Gen Bank | 7 | * (In administration) | |
| Bank of Baroda | 6 | ●Robert Fleming & Co | 6 | Royal Bk of Scotland | 6 |
| Banco Bilbao Vizcaya | 6 | Girobank | 6 | ●Smith & Williamson Secs | 6 |
| Bank of Cyprus | 6 | ●Guinness Mahon | 6 | Standard Chartered | 6 |
| Bank of Ireland | 6 | Habib Bank AG Zurich | 6 | TSB | 6 |
| Bank of India | 6 | ●Hambros Bank | 6 | ●United Bk of Kuwait | 6 |
| Bank of Scotland | 6 | Heritable & Gen Inv Bk | 6 | Unity Trust Bank Plc | 6 |
| Barclays Bank | 6 | ●Hill Samuel | 6 | Western Trust | 6 |
| Brit Bk of Mid East | 6 | C. Hoare & Co | 6 | Whiteaway Laidlaw | 6 |
| ●Brown Shipley | 6 | Hongkong & Shanghai | 6 | Wimbledon & Sth West | 7 |
| CL Bank Nederland | 6 | Julian Hodge Bank | 6 | Yorkshire Bank | 6 |
| Citibank NA | 6 | ●Leopold Joseph & Sons | 6 | | |
| City Merchants Bank | 6 | Lloyds Bank | 6 | | |
| Clydesdale Bank | 6 | Meghraj Bank Ltd | 6 | | |
| The Co-operative Bank | 6 | McDonnell Douglas Bk | 6 | | |
| Coutts & Co | 6 | Midland Bank | 6 | | |
| Credit Lyonnais | 6 | Mount Banking | 6 | | |

● Members of British Merchant Banking & Securities Houses Association

## MONEY MARKET FUNDS

### Money Market Trust Funds

[illegible]

### Money Market Bank Accounts

[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd Frequency at which interest is credited to the account.

## STOCK INDICES

| | Aug 20 | Aug 19 | Aug 18 | Aug 17 | Aug 16 | Aug 13 | 1993 High | 1993 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3057.6 | 3066.5 | 3073.6 | 3025.0 | 3008.3 | 3010.1 | 3073.6 | 2737.6 | 3073.6 | 986.9 |
| FT-SE Mid 250 | 3482.4 | 3486.0 | 3494.9 | 3465.9 | 3459.4 | 3455.5 | 3494.9 | 2876.3 | 3494.9 | 1379.4 |
| FT-SE-A 350 | 1532.4 | 1535.8 | 1539.9 | 1518.2 | 1511.0 | 1511.4 | 1539.9 | 1346.7 | 1539.9 | 664.5 |
| FT-A All-Share | 1516.01 | 1521.01 | 1524.33 | 1503.20 | 1496.35 | 1496.30 | 1524.33 | 1066.13 | 1524.33 | 61.92 |
| FT-SE Eurotrack 100 | 1297.31 | 1304.07 | 1303.09 | 1284.89 | 1276.32 | 1276.24 | 1304.07 | 1063.02 | 1304.07 | 900.45 |
| FT-SE Eurotrack 200 | 1360.12 | 1365.51 | 1367.63 | 1368.15 | 1359.35 | 1354.67 | 1367.63 | 1144.79 | 1367.63 | 938.62 |
| FT Ordinary | 2384.1 | 2394.5 | 2406.1 | 2368.2 | 2347.6 | 2360.7 | 2406.1 | 2124.7 | 2406.1 | 49.4 |
| FT Government Secs. | 101.77 | 102.07 | 102.38 | 102.31 | 102.10 | 101.93 | 102.38 | 93.28 | 127.40 | 49.18 |
| FT Fixed Interest | 124.27 | 124.51 | 124.54 | 124.24 | 123.81 | 122.86 | 124.54 | 108.67 | 124.54 | 50.53 |
| FT Gold Mines | 197.7 | 201.6 | 197.0 | 196.0 | 198.3 | 190.4 | 249.2 | 80.0 | 734.7 | 43.5 |

## LONDON SHARE SERVICE

### BRITISH FUNDS

[illegible]

### BRITISH FUNDS - Cont.

[illegible]

### BRITISH FUNDS - Cont.

Index-Linked

[illegible]

RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1992: 139.2 and for July 1993: 140.7.

### OTHER FIXED INTEREST

| | Notes | Price | Wk % Ch'nge | Amnt £m | Interest due | Last xd | City line |
|---|---|---|---|---|---|---|---|
| African Dev 11¼ 2010 | | 131½ | -.4 | 50 | Ja4 Jy4 | 1.12 | – |
| Asian Dev 10¼pc 2009 | | 124¼ | -.1 | 100 | Mr24 Se24 | 28.3 | – |
| B'ham 11½pc 2012 | | 130 | 1.8 | 45 | My15 Nv15 | 17.4 | 1837 |
| Ireland Cap 8½pc '10 | | 116 | -1.9 | 304 | Ap1 Oc1 | – | 1465 |
| 9pc Cap 1996 | | 112¼ | -2.8 | 725 | Ja30 Jy30 | – | – |
| 13pc '97-2 | | 129 | -.8 | 315 | Ap1 Oc1 | 28.8 | 1438 |
| Hydro Quebec 15pc 2011 | | 158½ | 0.2 | 40 | Mr31 Nv31 | 27.10 | – |
| Leeds 13½pc 2006 | | 141¼ | 1.8 | 40 | Ap1 Oc1 | 12.3 | 3146 |
| Liverpool 3½pc Irred | | 40 | 3.8 | 5 | 1JaApJeOc | 1.6 | 3169 |
| LCC 3pc '20 Aft | | 35½ | 2.9 | 26 | 1MrJeSeDe | 1.8 | – |
| Manchester 11½pc 2007 | | 127½ | 2.0 | 7 | Ap25 Oc25 | 30.3 | 3275 |
| Met. Wtr 3pc 'B' | | 72½ | 3.6 | 25 | Mr1 Se1 | 1.8 | 3381 |
| N'wide Anglia 3⅞pc 2021 | | 137 | 1.3 | 60 | Ja30 Jy30 | 8.1 | 3485 |
| 4⅛pc IL 2024 | | 132¾ | 1.5 | 50 | Fe23 Ap23 | 20.7 | – |
| Utd Mex States 16½pc 2008 | | 147 | 1.7 | 50 | Mr1 Se1 | 27.6 | – |

Continued on next page

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

[illegible]

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.55 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited. 1987

## AMERICANS

| | Notes | Price £ | Wk% ch'nge | Div gross | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|
| Abbot Labs | | 17¼xd | 8.3 | 68c | FeMyAuNv | 12.7 | 1583 |
| Allegheny & W | | 647p | -7.8 | 30c | | – | – |
| Amdahl | | 349p | -2.2 | 5c | MaFeJaAu | 31.1 | – |
| Amer Cyanamid | | 34¼ | 7.0 | $1.70 | MrJeSeDe | 4.3 | – |
| Amer Express | | 22¼xd | -2.2 | $1.00 | FeMyAuNv | 3.7 | 1594 |
| Amer T & T | | 30½xd | -9.2 | $1.32 | FeMyAuNv | 25.6 | 1597 |
| Amoritech | | 62½ | -4.3 | $3.60 | FeMyAuNv | 30.3 | – |
| Anheuser-Busch $ | | 31⅛ | 0.8 | $1.44 | MrJeSeDe | 4.8 | 1620 |
| BankAmerica | | 30½xd | -3.7 | $1.40 | MrJeSeDe | 17.5 | 1744 |
| Bankers NY | | 52¼xd | -4.2 | $3.12 | ApJyOcJa | 24.12 | 1745 |
| Bell Atlantic | | 37⅛ | -8.3 | $2.68 | FeMyAuNv | 4.7 | – |
| BellSouth | | 38½ | -4.4 | $2.76 | FeMyAuNv | 8.4 | – |
| Bethlehem Steel | | 9¼xd | -6.2 | – | MrJeSeDe | 6.2 | 1821 |
| Bowater | | 1344pxd | -2.9 | 60c | OcJaApJy | 9.7 | 1884 |
| CPC | | 29¼xd | 4.7 | $1.20 | JaApJyOc | 23.6 | 2283 |
| California Engy | | 1232p | – | – | – | – | – |
| Chase Manhattan | | 20¼xd | -14.4 | $1.20 | FeMyAuNv | 27.7 | 2109 |
| Chrysler | | 27½xd | -4.7 | 60c | ApJyOcJa | 15.6 | 2136 |
| Citicorp | | 27⅜xd | -1.1 | – | – | 23.10 | 2141 |
| Colgate-Palm | | 34¼xd | 5.6 | $1.44 | FeMyAuNv | 31.7 | 2184 |
| Cont'l Bank | | 1584p | -4.3 | 80c | DeMrJeSe | 31.5 | – |
| Dana | | 30¼xd | -6 | $1.60 | MrJeSeDe | 26.5 | 2306 |
| Data General | | 698p | 9.2 | – | – | – | – |
| Decora Inds | | 1108p | -3.5 | – | – | – | – |
| Dun & Brad | | 39⅞ | -2.6 | $2.44 | MrJeSeDe | 13.2 | – |
| Eaton | | 31¼ | 1.2 | $1.20 | FeMyAuNv | 2.2 | 2410 |
| Echlin | | 19⅞xd | -1.7 | 70c | JaApJyOc | 30.6 | 3046 |
| FPL | | 29⅞xd | -1.2 | $2.48 | MrJeSeDe | 23.1 | – |
| Ford Motor | | 33⅞xd | -5.3 | $1.60 | MrJeSeDe | 28.7 | 2615 |
| Gen Elect | | 64xd | -4.3 | $2.52 | JaApJyOc | 3.8 | 2675 |
| General Host | | 494p | -30.3 | 14c | – | 11.12 | – |
| Gillette | | 39⅝xd | 1.4 | 84c | MrJeSeDe | 28.7 | 2695 |
| Hasbro | | 20⅝ | – | 24c | FeApJyNv | 1.8 | – |
| Honeywell | | 22¼xd | 8.5 | 88c | MrJeSeDe | 25.5 | 2919 |
| Houston Inds | | 30 | -2.4 | $3.00 | MrJeSeDe | 10.11 | – |
| Ingersoll-Rand | | 34¼xd | 1.6 | 70c | MrJeSeDe | 17.8 | 2979 |
| Lockheed | | 41⅝ | -4.8 | $2.12 | MrJeSeDe | 18.2 | – |
| Loew's | | 2204p | 3.4 | 32c | JaApJyOc | 11.7 | – |
| Mabry Technology | | 355p | -13.6 | – | – | – | – |
| Merrill Lynch | | 60¼xd | -2 | $1.40 | FeMyAuNv | 30.4 | 3351 |
| Morgan (JP) | | 48⅝xd | -1.4 | $2.40 | JaApJyOc | 16.9 | 3418 |
| Morris (Philip) | | 39⅝xd | 7.1 | $2.60 | JaApJyOc | 10.9 | [illegible] |
| NYNEX | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## BUILDING MATERIALS - Cont.

| | Notes | Price | Wk% ch'nge | Div net | Div cov | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Travis Perkins | | | | | | | | |
| Tudor | | | | | | | | |
| Unigroup | | | | | | | | |
| Watertouse | | | | | | | | |
| Wickes | | | | | | | | |
| Wolseley | | | | | | | | |

## BUSINESS SERVICES

| | Notes | Price | Wk% ch'nge | Div net | Div cov | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| ADT $ | | | | | | | | |
| Adam & Harvey | | | | | | | | |
| Air London | | | | | | | | |
| African Lakes | | | | | | | | |
| Auto'ted Sec | | | | | | | | |
| BET | | | | | | | | |
| BNB Res | | | | | | | | |
| BPP | | | | | | | | |
| Barbour Index | | | | | | | | |
| Black & Edg | | | | | | | | |
| Boustead | | | | | | | | |
| Bridgend | | | | | | | | |
| Brit Data Mangt | | | | | | | | |
| Brit Fittings | | | | | | | | |
| Brooke Service | | | | | | | | |
| Business Post | | | | | | | | |
| CRT | | | | | | | | |
| Capita | | | | | | | | |
| Cashet | | | | | | | | |
| Chiltern Capital AS | | | | | | | | |
| Christie Group | | | | | | | | |
| Chubb Security | | | | | | | | |
| Comac | | | | | | | | |
| Corp Servs | | | | | | | | |
| Coutts Consulting | | | | | | | | |
| Dart | | | | | | | | |
| Davis Service | | | | | | | | |
| EW Fact | | | | | | | | |
| Gardner | | | | | | | | |

## ELECTRICALS

## ENGINEERING-GENERAL - Cont.

## HOTELS & LEISURE - Cont.

## INVESTMENT TRUSTS - Cont.

## CANADIANS

## CHEMICALS

## ELECTRICITY

## FOOD MANUFACTURING

## INSURANCE BROKERS

## ELECTRONICS

## INSURANCE COMPOSITE

## BANKS

## INSURANCE LIFE

## FOOD RETAILING

## INVESTMENT TRUSTS

## CONGLOMERATES

## BREWERS & DISTILLERS

## HEALTH & HOUSEHOLD

## CONTRACTING & CONSTRUCTION

## BUILDING MATERIALS

## ENGINEERING-AEROSPACE

## ENGINEERING-GENERAL

## HOTELS & LEISURE

## INVESTMENT TRUSTS - Cont.

| | Notes | Price | W'k % ch'nge | Div net | Dividends paid | Mkt cap£m | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Scot Asian Ptg | | 221 | 0.5 | – | – | 48.4 | – | 4384 |
| Warrants | | 498 | 1.5 | – | – | 3.40 | – | 1484 |
| Scot East | | 79 | — | 1.52 | Oct May | 500.8 | 29.3 | 3848 |
| Scottish Inv | | 216 | -.9 | 4.82 | Feb Jul | 549.5 | 7.6 | 3853 |
| Warrants | | 68 | 5.8 | – | – | 38.6 | – | 5008 |
| Scot Mortgage | | 221½ | 2.5 | 4.0 | Jul Dec | 790.0 | 24.5 | 5004 |
| Scot National Inc | | 97xd | 4.3 | 7.5 | ApJyOcJa | 154.9 | 18.8 | 3867 |
| Cap | | 33 | 10.0 | – | – | 21.1 | – | 3880 |
| Stepped Pf | | 155¾xd | -1.9 | 8.00 | Sep Mar | 49.7 | 18.8 | 3882 |
| Zero Div Pf | | 225 | 1.4 | – | – | 143.7 | – | 3884 |
| Warrants | | 4½ | 28.6 | – | – | 0.57 | – | 3863 |
| Scot Value | | 82 | 1.7 | 1.6 | Jan Jul | 44.1 | 24.5 | 2705 |
| Sec Alliance | | 1600 | 0.9 | 38.8 | Apr Oct | 308.3 | 1.3 | 3874 |
| Second Consol | | 187 | 2.7 | – | – | 64.0 | – | 1070 |
| Second HGSC | | 103 | 1.0 | – | – | 25.8 | – | – |
| Second Market | | 378 | — | 2.0 | May | 38.6 | 19.4 | 3876 |
| Sec Tst Scot | | 88 | 2.3 | 3.25 | Jul Dec | 381.9 | 10.5 | 3877 |
| Select Assets | | 159 | 2.8 | 1.2 | Apr | 45.1 | 1.3 | 5086 |
| Eq Ind Serl | | 147 | 2.8 | 4.25 | JaApJuOc | 25.9 | 9.7 | 4803 |
| Eq Ind Serll | | 142 | 2.8 | 4.25 | JaApJuOc | 31.2 | 9.7 | 5085 |
| SHIRESCOT | | 140xd | 2.2 | 8.25 | DeMrJuSe | 17.8 | 16.8 | 1338 |
| Shires | | 283 | 1.8 | 18.5 | ApJyOcJa | 71.9 | 7.6 | 4014 |
| Siam Select | | 140 | -.7 | 1.0 | Sep | 21.9 | 2.8 | 1387 |
| Warrants | | 48 | — | – | – | 1.38 | – | 1379 |
| Smaller Cos | | 130 | — | 2.6 | Apr Oct | 31.7 | 7.6 | 3898 |
| Warrants | | 81 | 6.3 | – | – | 1.71 | – | 3899 |
| Sphere Inc | | 34 | 7.9 | 3.1 | MyAuNvFe | 41.2 | 18.7 | 4276 |
| Zero Div Pf | | 91½ | 1.1 | – | – | 97.1 | – | 5227 |
| Units | | 605 | 4.7 | – | – | – | 19.7 | 2835 |
| Sumit | | 87 | 11.5 | 1.4 | May | 8.22 | 15.3 | 4132 |
| TR City of Lon | | 190xd | — | 4.80 | FeMyAuNv | 586.8 | 16.8 | 4271 |
| TR Euro Growth | | 125 | 3.3 | 1.35 | Oct | 46.4 | 7.9 | 4880 |
| Ptg Sub | | 67 | 4.7 | 1.36 | Oct | 3.43 | 7.9 | – |
| TR Far East Inc | | 188xd | 0.3 | 4.5 | ApJyOcJa | 78.5 | 18.8 | 4289 |
| Warrants | | 53 | -1.9 | – | – | 4.00 | – | – |
| TR High Inc | | 132 | 3.1 | 6.0 | ApJyOcJa | [illegible] | [illegible] | [illegible] |

## MERCHANT BANKS

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Barings 8pc Cm 2nd Prf. | | 112½ | 0.9 | 8% | – | June Dec | 10.5 | – |
| 9¾pc Non-Cum Prf. | | 133½ | — | 9¾% | – | Jan Jul | 10.5 | 1421 |
| Close Bros | | 410 | 3.8 | 9.5 | 2.3 | Apr Oct | 15.3 | 2106 |
| Hambros | | 376 | -.8 | 14.0 | 1.5 | Dec Aug | 21.6 | 3812 |
| 7½pc Cv Pf | | 180 | -1.2 | 7½% | – | Apr Oct | 15.2 | 4389 |
| Joseph (L) | | 392 | — | 18.8 | – | Jan Sep | 2.8 | 3090 |
| Kleinwort Benson | | 560xd | 3.7 | 16.0 | 1.8 | May Oct | 16.8 | 3102 |
| Rea Bros | | 62 | 13.0 | 0.8 | 1.7 | May Oct | 29.3 | 3785 |
| Schroders | | 1165 | 1.3 | 11.0 | 4.5 | Nov Apr | 29.3 | 3808 |
| NV | | 1118 | 2.3 | 11.0 | 4.5 | Apr Nov | 29.3 | 3841 |
| Singer & Fried | | 89 | 0.8 | 2.8 | – | Nov Jan | 19.4 | 4029 |
| Warburg (SG) | | 608 | 2.1 | 18.0 | 2.1 | Jul Dec | 7.6 | 4426 |
| 8pc Cv Pf | | 283 | 0.7 | 8% | – | Mar Sep | 1.3 | 4428 |
| Wintrust | | 285xd | — | 8.5 | 1.2 | Oct Mar | 16.8 | 4534 |

## METALS & METAL FORMING

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| ASW | | 234 | 7.7 | 6.0 | – | May Nov | 15.3 | 6084 |
| Apollo Metals | | 104 | -1.0 | 3.48 | 1.0 | Jan Jul | 7.6 | 1460 |
| Ash & Lacy | | 182 | 0.7 | 6.4 | 1.5 | Nov Apr | 29.3 | 1883 |
| Billam (J) | | 281 | 0.6 | 5.8 | 4.0 | Oct May | 29.3 | 1828 |
| Brit Steel | | 111 | -4.3 | 1.0 | – | Aug | 5.7 | 3311 |
| CI | | 34 | — | 1.0 | 1.0 | Jul Jan | 24.5 | 2138 |
| Castings | | 204 | 2.0 | 4.35 | 3.3 | Jan Aug | 7.6 | 2076 |
| Chamber & Hill | | 188 | 3.5 | 6.25 | 2.6 | Jul Dec | 24.5 | 2100 |
| Cohen (A) | | 318 | — | 8.8 | ♦ | Feb Aug | 21.6 | 2181 |
| Cook (Wm) | | 228xd | 7.6 | 6.0 | 3.9 | Jan Oct | 18.8 | 2232 |
| Cooper (F) | | 74 | 2.8 | 2.0 | 0.5 | Jul Feb | 10.4 | 2235 |
| Ferraris | | 53 | — | 1.0 | 3.9 | Jan Jul | 24.5 | 4801 |
| Firth (GM) | | 9½ | 11.8 | – | – | – | 29.1 | 2579 |

## MISCELLANEOUS

## INVESTMENT COMPANIES

## MEDIA

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## STORES - Cont.

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

| | Notes | Price | W'k% ch'nge | Div net | Div cov. | Dividends paid | Last xd | City line |
|---|---|---|---|---|---|---|---|---|
| Europa Minls | | 38 | -2.6 | – | – | – | – | 3427 |
| Glencar Expl | | 11 | — | – | – | – | – | – |
| Greenwich Res | | 18 | 3.4 | – | – | – | – | 2773 |
| Hanto Gold C$ | | 65½ | -13.0 | Q20c | – | Dec Jun | 8.11 | – |
| Ivernia West | | 42 | — | – | – | – | – | – |
| Kalo Minls | | 12 | — | – | – | – | – | 3747 |
| Kenmare | | 9½ | 8.6 | – | – | – | – | 1483 |
| Malinga Res | | 7½ | -11.8 | – | – | – | – | – |
| Navan Res | | 102 | 17.9 | – | – | – | – | 1185 |
| 5pc Ln Notes | | 94¼ | 9.2 | – | – | – | – | – |
| Oryx Gold | | 78½ | — | – | – | – | – | 3590 |
| Ovoca Res | | 8 | — | – | – | – | – | 1479 |
| RTZ | | 687 | 1.6 | 19.6 | 1.3 | Dec Aug | 7.6 | 3890 |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ● Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✧ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ● Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT

z Dividend includes a special payment: Cover does not apply to special payment.
E Auction basis
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1993
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94

N Dividend based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,235 a year for each security shown, subject to the Editor's discretion

## FT Share Service

The following changes have been made to the FT Share Information Service: Additions: **Anheuser Busch** (Americans), **Burmine** (Mines/Australian), **Kleinwort Emrg. Mkts. Tst. Ord. and Warrants** (Inv. Tsts.), **Quadramatic** (Eng. Gen.), **Ossory Ests.** (Property) and **Second HGSC Index Inv. Tst.** (Inv. Tsts.). Deletions: **Anglo Dominion Gold** (Mines/Misc.), **Dunkeld** (Textiles), **Graig Shipping** (Transport) and **Monarch Res. Cv. 1993** (Mines/Finance).

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*4 pm close August 20*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993 High | Low | Stock | Div | Yld % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 14⅝ | 11½ | AAR Corp | 0.48 | 3.6 | 652 | 112 | 13½ | 13⅛ | 13¼ | -¼ |
| 28⅞ | 13¾ | A L Labs A | 0.18 | 1.0 | 37 | 494 | 18¾ | 18½ | 18⅝ | +⅜ |
| 65¾ | 54⅝ | AMP Inc | 1.60 | 2.5 | 23 | 1417 | 65⅝ | 64⅞ | 65 | -⅝ |
| 72¼ | 55½ | AMR | | | 16 | 4898 | 66⅛ | 64¼ | 64½ | -1⅛ |
| 3⅜ | 1¾ | ARX | | | 17 | 1303 | 3⅛ | 2⅞ | 2⅞ | -⅛ |
| 51½ | 29⅞ | ASA | 2.00 | 4.5 | 29 | 898 | 45⅛ | 44⅞ | 44⅞ | -⅛ |
| 30¾ | 22⅝ | Abbott Lab | 0.68 | 2.6 | 16 | 13350 | 26¼ | 25¾ | 26 | -⅜ |
| 12⅝ | 8½ | Abitibi Pr | 0.50 | 5.1 | 4 | 24 | 9⅞ | 9⅝ | 9⅞ | +⅛ |
| 15¼ | 8¼ | Acpincain | | | 45 | 178 | 14⅞ | 14½ | 14½ | -⅜ |
| 35⅞ | 25½ | ACE Ltd | 0.40 | 1.1 | | 1170 | u36 | 35⅛ | 36 | +⅝ |
| 12 | 10¾ | ACM Gvt In x | 0.98 | 8.7 | | 498 | 11¼ | 11 | 11 | -¼ |
| 10 | 9⅛ | ACM GvOpp x | 0.80 | 8.2 | | 14 | u10 | 9¾ | 9¾ | -⅛ |
| 9⅞ | 8¾ | ACM Gvt Sp | 0.80 | 8.6 | | 914 | 9⅜ | 9⅛ | 9¼ | +⅛ |
| 11⅞ | 10½ | ACM Gvt Se | 0.98 | 8.8 | | 1079 | 11 | 10⅞ | 10⅞ | |
| 11⅝ | 9⅝ | ACM Man x | 1.08 | 9.6 | | 335 | 11⅜ | 11¼ | 11¼ | -⅜ |
| 9⅜ | 8⅝ | ACM Managd x | 0.72 | 7.8 | | 165 | 9⅜ | 9⅛ | 9¼ | |
| 12⅛ | 7¾ | Acme Cleve | 0.44 | 4.1 | 14 | 200 | 10⅞ | 10½ | 10¾ | -⅛ |
| 9¼ | 6½ | Acme Elect | | | 254 | 28 | 7⅝ | 7½ | 7⅝ | +⅛ |
| 25⅞ | 18⅞ | Acordia | 0.44 | 1.8 | 14 | 60 | 25⅛ | 24⅞ | 25 | -⅛ |
| 16 | 10⅛ | Acuson | | | 32 | 161 | 11⅜ | 11⅛ | 11¼ | +⅛ |
| 21¾ | 19 | Adams Expr | 0.48 | 2.5 | 0 | 246 | 19⅜ | 19⅛ | 19⅛ | |
| 66¼ | 45½ | Ad Micro | 3.00 | 4.7 | | 89 | 63¾ | 63¼ | 63⅝ | +⅛ |
| 32¾ | 17⅝ | Ad Micro P | 3.00 | 9.7 | 12 | 11509 | 31⅜ | 30¾ | 31 | +1 |
| 7¾ | 5½ | Advest Grp | 0.16 | 2.3 | 12 | 161 | 7 | 6¾ | 7 | +¼ |
| 24¾ | 16⅛ | Advo Inc | 0.08 | 0.5 | 19 | 30 | 17⅝ | 17⅜ | 17⅜ | -⅛ |
| 48⅜ | 41⅛ | Aegon ADR | 2.95 | 6.1 | 9 | 45 | 48⅛ | 48 | 48⅛ | |
| 60½ | 43⅜ | Aetna Li | 2.76 | 4.7 | 40 | 2167 | 58½ | 57⅞ | 58½ | +⅜ |
| 14½ | 11½ | Aflil A | 0.26 | 1.8 | 30 | 3301 | 14⅝ | 14¼ | 14⅝ | |
| 33½ | 26⅞ | Aflac | 0.40 | 1.2 | 16 | 1168 | 33¼ | 32½ | 33¼ | +⅛ |
| 22⅛ | 16¾ | Ahmanson | 0.88 | 4.5 | 22 | 2643 | 19⅝ | 19⅜ | 19½ | |
| 7¾ | 4 | Aileen Inc | | | 7 | 62 | 4⅝ | 4⅜ | 4⅝ | +¼ |
| 48½ | 37½ | Air Pr Chm | 0.92 | 2.1 | 17 | 2987 | 43½ | 43⅛ | 43⅜ | -⅛ |
| 26½ | 18⅛ | Airbne Frt | 0.30 | 1.3 | 29 | 161 | 22¼ | 22⅛ | 22¼ | -⅛ |
| 37½ | 18¼ | Airgas Inc | | | 40 | 142 | 36⅞ | 36⅜ | 36⅞ | +½ |
| 15⅝ | 10½ | Airlease | 1.60 | 10.8 | 11 | 27 | 14⅞ | 14¾ | 14¾ | |
| 105½ | 101 | AlaPwrL16 | 8.16 | 7.8 | | 13 | 105 | 103⅝ | 104 | |
| 107 | 102½ | Alab 8.28C | 8.28 | 7.9 | | 1 | 104¾ | 104¼ | 104¼ | |
| 19 | 12¾ | Alaska Air | 0.20 | 1.5 | 2 | 197 | 13 | 12⅞ | 13 | +⅛ |
| 19 | 14¼ | Albany Int | 0.35 | 1.9 | 61 | 38 | 18½ | 18⅛ | 18½ | +⅛ |
| 28¼ | 20⅜ | AlCulvr B | 0.26 | 1.2 | 15 | 147 | 21 | 20⅝ | 20⅞ | +¼ |
| 25¼ | 17 | AlCulvr A | 0.26 | 1.5 | 13 | 179 | 17⅝ | 17⅜ | 17⅝ | +¼ |
| 59¼ | 48¾ | Albertsons | 0.72 | 1.3 | 23 | 2521 | 57⅞ | 56¾ | 56⅞ | -⅝ |
| 21⅜ | 16⅞ | Alcan Alum x | 0.30 | 1.5 | 31 | 2455 | 20⅛ | 20⅛ | 20⅛ | -⅛ |
| 50⅝ | 35¾ | Alco Stand | 0.98 | 2.1 | 19 | 1263 | 46⅞ | 45½ | 45½ | -⅜ |
| 27⅞ | 19⅝ | AlexBrown | 0.60 | 2.2 | 6 | 311 | u27⅞ | 27¼ | 27⅜ | -½ |
| 28⅞ | 24 | Alexr Alex | 1.00 | 4.0 | 27 | 855 | 25 | 24⅝ | 25 | +⅛ |
| 23⅛ | 17 | Allegh Lud | 0.48 | 2.3 | 22 | 7128 | 21⅛ | 20⅞ | 21⅛ | +¼ |
| 54⅞ | 46⅞ | Allegh Pow | 3.24 | 5.9 | 15 | 418 | 54⅝ | 54½ | 54½ | |
| 46 | 39 | Allen Gp | 1.75 | 4.0 | | 11 | 43½ | 43½ | 43½ | |
| 50½ | 25⅞ | Allen Gen | 0.24 | 0.5 | 25 | 551 | 50¼ | 49½ | 50¼ | +⅜ |
| 28⅜ | 21¼ | Allergan | 0.40 | 1.8 | 13 | 1100 | 23 | 22⅝ | 22⅝ | -½ |
| 23¼ | 16¾ | Allmca Cap | 1.40 | 6.2 | 25 | 101 | 22⅝ | 22⅜ | 22½ | |
| 10¼ | 8⅞ | Allnca Gl | 0.18 | 1.9 | | 226 | 9½ | 9⅛ | 9⅜ | |
| 25¼ | 18¾ | Ald Irish x | 0.89 | 3.5 | 16 | 13 | u25¼ | 25 | 25¼ | +.08 |
| 74⅝ | 57½ | Alld Sig | 1.16 | 1.6 | 17 | 1987 | 74 | 73½ | 73½ | -¼ |
| 11⅝ | 9⅞ | AlstMun Tr | 0.78 | 6.9 | | 158 | u11⅜ | 11⅛ | 11¼ | |
| 9⅞ | 7½ | AlstIncOp | 0.63 | 7.3 | | 401 | 8¾ | 8½ | 8⅝ | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 30⅞ | 22½ | Barclys ADR x | 0.97 | 3.2 | 23 | 82 | u30½ | 29¾ | 30½ | +1⅛ |
| 35¼ | 20½ | Bard (C R) | 0.56 | 2.4 | 14 | 1740 | 23½ | 23⅛ | 23¼ | -⅛ |
| 34½ | 29⅞ | Barnes Grp | 1.40 | 4.3 | 32 | 4 | 32½ | 32¼ | 32½ | |
| 50⅝ | 40 | Barnett Bk | 1.44 | 3.2 | 17 | 1002 | 45¾ | 45⅜ | 45⅝ | +⅛ |
| 8¼ | 5⅛ | Barnld | 0.20 | 2.7 | 27 | 1671 | 7½ | 7¼ | 7⅜ | |
| 10⅞ | 4⅞ | Battle Mt | 0.05 | 0.5 | 19 | 2384 | 9⅜ | 9⅛ | 9¼ | +⅛ |
| 57½ | 43 | Bausch Lmb | 0.86 | 1.9 | 15 | 1159 | 47⅞ | 47 | 47⅛ | -⅜ |
| 32¾ | 22¼ | Baxter | 1.00 | 3.8 | 14 | 7883 | 26⅛ | 25⅞ | 26⅛ | +⅛ |
| 28⅞ | 24⅜ | Bay St Gas | 1.42 | 5.2 | 14 | 73 | 27⅝ | 27¼ | 27⅜ | -⅜ |
| 25 | 22 | Bd Tr 1838 | 1.72 | 7.2 | | 46 | 24 | 23¾ | 23⅞ | |
| 23¾ | 15 | Bear Strns | 0.60 | 2.6 | 7 | 1180 | 23 | 22⅞ | 22¾ | |
| 50 | 45½ | BearStPfA | 2.75 | 5.5 | | z100 | 49¼ | 49¼ | 49¾ | |
| 24⅜ | 20½ | Bearings | 0.64 | 2.7 | 19 | 10 | 24⅛ | 24 | 24 | -⅛ |
| 25½ | 19¾ | Beckman In | 0.36 | 1.6 | 13 | 144 | 22¼ | 22⅛ | 22¼ | |



Continued on next page

4 pm close August 20

# NYSE COMPOSITE PRICES

Continued from previous page

- S -

| 1993 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 22 | 15½ | S Anita Rt | 1.36 | 8.1 | 15 | 134 | 17 | 16¾ | 16⅞ | +¼ |
| 20¾ | 14⅞ | SCOR US Cp | 0.32 | 2.2 | 185 | 5 | 14¾ | d14⅞ | 14⅞ | |
| 28¾ | 20 | SPS Techno | 1.38 | 4.5 | 21 | 24 | 28¾ | 28½ | 28¾ | +⅛ |
| 14½ | 12⅞ | Sabine RR x | 1.80 | 12.6 | 10 | 64 | 14⅜ | 14⅛ | 14¼ | |
| 13¾ | 8⅞ | Safecard | 0.20 | 1.6 | 12 | 29 | 12⅝ | 12½ | 12⅝ | -⅛ |
| 23½ | 16⅞ | Safeg'd Sc | | | 10 | 57 | 21¾ | 21⅝ | 21¾ | |
| 24¾ | 14⅜ | SafetyKln | 0.36 | 2.3 | 23 | 1055 | 15½ | 15⅜ | 15½ | +⅛ |
| 18¾ | 10⅞ | Safeway | | | 28 | 2869 | 18⅝ | 18¼ | 18½ | +¼ |
| 4⅛ | 2 | SafewayW96 | | | | 241 | u4⅛ | 4 | 4⅛ | +⅛ |
| 44½ | 37½ | StJoePaper | 0.20 | 0.4 | 135 | 501 | u46 | 43⅛ | 46 | +3¼ |
| 37¾ | 31 | StJoeLAP | 1.76 | 4.8 | 15 | 8 | 37 | 36¾ | 37 | +⅜ |
| 91 | 75 | St Paul's | 2.80 | 3.1 | 14 | 646 | 90 | 89½ | 89¾ | |
| 11⅜ | 7⅞ | Salant Crp | | | 5 | 117 | 9½ | 9⅛ | 9½ | +⅛ |
| 75¼ | 39⅞ | Sallie Mae | 1.20 | 2.6 | 10 | 1630 | 46¼ | 45⅞ | 46⅛ | |
| 14 | 13 | Salomon Br | 0.32 | 2.3 | | 272 | u14 | 13⅞ | 14 | |
| 49⅝ | 34 | SalomonInc | 0.64 | 1.3 | 12 | 2938 | 49½ | 49⅛ | 49¼ | -⅛ |
| 27 | 23¼ | SanDgo G&E | 1.48 | 5.5 | 14 | 343 | 26⅞ | 26⅝ | 26¾ | |
| 4⅜ | 3½ | SantaFeEDu | 0.40 | 10.3 | 38 | 15 | 4 | 3¾ | 3⅞ | +⅛ |
| 11⅞ | 9⅛ | SantaFeEne | 0.16 | 1.6 | 500 | 2467 | 10¼ | 10 | 10 | |
| 40¾ | 35¾ | SantaFePac | 2.80 | 7.5 | 13 | 116 | 37⅜ | 37 | 37⅛ | +⅜ |
| 19 | 12¾ | SantaFPac | 0.10 | 0.5 | 12 | 5988 | 18¾ | 18⅛ | 18¼ | -½ |
| 31⅛ | 21 | Sara Lee | 0.58 | 2.2 | 18 | 15698 | 26⅛ | 25⅞ | 25⅞ | -¼ |
| 50½ | 40⅛ | Scana Corp | 2.74 | 5.5 | 15 | 385 | 50⅛ | 50 | 50 | |
| 24⅞ | 21½ | Scecorp | 1.42 | 5.9 | 15 | 5900 | 24¼ | 24 | 24¼ | +⅛ |
| 38⅞ | 23⅞ | ScherersRP | | | 23 | 317 | 29 | 28½ | 28⅝ | -⅛ |
| 70⅞ | 51¾ | ScheringPl | 1.80 | 2.9 | 15 | 3533 | 62⅞ | 62⅛ | 62¾ | |
| 68⅞ | 21⅜ | Sch'berger | 1.20 | 1.8 | 25 | 4854 | 66 | 64⅞ | 65⅛ | -⅞ |
| 31¾ | 18½ | Schwab(C) | 0.20 | 0.7 | 17 | 1051 | 30⅞ | 30¼ | 30⅛ | -⅜ |
| 7¾ | 5⅝ | Schwitzer | | | 41 | 74 | 7⅛ | 6⅞ | 7⅛ | |
| [illegible] | | | | | | | | | | |

- T - - U - - V - - W - - X - Y - Z -

[illegible]

Prices data supplied by Telekurs

[illegible]

# NASDAQ NATIONAL MARKET

4 pm close August 20

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

[illegible]

# AMEX COMPOSITE PRICES

4 pm close August 20

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*MONDAY INTERVIEW*

# Cabinet's ideological juggler

## David Hunt, UK employment secretary, talks to **David Goodhart**

Ashley Ashwood

## 'The underlying theme for me is competitiveness'

Mr David Hunt, like many successful politicians, is something of a chameleon.

At an open-air dinner in Salt Lake City, Utah, last month, he donned a cowboy hat and did his bit for the "special relationship" between the US and the UK. He lavished praise on the job-creating American economy, spoke admiringly of the "workfare" system which requires people on welfare to work for their benefits, and asked for US support in the battle against the forces of regulation and protection within the European Community.

His Mormon hosts might be surprised to learn that at home Mr Hunt is considered by some critics in the Tory party to be a left-wing Europhile, rather than a true Anglo-Saxon free marketeer.

Hunt, who took over as employment secretary in the cabinet reshuffle in May, and is the government's newest rising star, denies that he belongs on the left wing of the Conservative party. He says he has always been a mainstream "one-nation" Tory. But he was tagged with the left-wing label after his attack on Enoch Powell at the 1972 Conservative party conference over the issue of Ugandan Asians settling in the UK. He paid a price – he was immediately deselected as candidate for the winnable seat of Plymouth Drake.

Yet, he is happy to hint at non-conformist sympathies. The sharp-featured 51-year-old, who backed Michael Heseltine for the Tory party leadership, describes himself as a Christian Democrat, speaks of the *social* market economy, and talks proudly of the public-private partnerships and close links with the trade unions he fostered in his three years as Welsh secretary from 1990-93.

But is there a sturdy body of ideas behind these phrases? And can avowed post-Thatcherites, such as Hunt, who now dominate the cabinet, produce a distinctive new Conservatism for the late 1990s?

"The underlying theme for me is competitiveness," says Hunt, looking rather crumpled after a whistle-stop tour of the US. He has won praise from many on the right of his party for his vigorous parliamentary performances defending the competitiveness of the UK's labour market and the "opt-out" obtained by Prime Minister John Major from the social chapter of the Maastricht treaty. He claims the employment debate in Europe is now shifting from labour regulation towards UK-style flexibility, partly inspired by the earlier-than-expected downward trend in UK unemployment.

But has flexibility been bought at too high a price? Hunt forcefully rejects the criticism that Britain is pursuing a competitiveness strategy based on cheap and low-skilled labour. He is equally dismissive of the view that many British workplaces are ruled by fear of unemployment. "I don't recognise this atmosphere and I've visited a lot of workplaces in the last three years," says Hunt.

He professes no interest in an overhaul of British labour law to improve employer-employee relationships.

He does, however, accept that there can be some conflict between the goal of developing highly skilled, committed and secure workers, and the employment flexibility required by tough and sometimes unpredictable global markets. His answer is Investors In People, the government-backed initiative to encourage companies to connect training to their broader business objectives. However, after two years, fewer than 400 companies have qualified.

The government cannot have a direct role in promoting competitiveness, Hunt says, reflecting his view that government is a "necessary evil". That fits with his concept of the social market that free markets create the prosperity to provide resources for generous welfare benefits.

This all sounds very orthodox. But his right-wing opponents in the party – advocates of minimum welfare, minimum tax and minimum state – have some grounds for discomfort. Away from the Mormons, Hunt confides his doubts about whether US-style workfare can be applied to the UK's benefits system. As part of the government's public spending review in the run-up to the November Budget, he is examining ways of cutting welfare dependency, but he stresses: "One of the strengths of our system is that we provide unemployment benefit indefinitely."

Hunt is also keen to see the government's "highly successful" Training and Enterprise Councils "getting much more involved in economic development" – in plainer words, industrial policy.

He refuses to be drawn on whether there is, or should be, a future for collective bargaining in the UK, saying only that "it is up to employers and employees to choose". But he does say "my door is open" to the Trades Union Congress, and even advises the unions to cut their exclusive links with the Labour party, in favour of broader political contacts "with the Conservative party and others".

**PERSONAL FILE**

- 1942 Born north Wales. Educated Liverpool College and Bristol University.
- 1972-73 Chairman Young Conservatives.
- 1976 Elected MP for Wirral.
- 1984 Under-secretary of state for energy.
- 1989-90 Minister for local government.
- 1990-93 Welsh secretary.
- 1993 Employment secretary.

For all his radical gestures Hunt has prospered in his 14 years in government, including a period as deputy chief whip, and has survived close association with the poll tax. He has a courteous, clubbable manner, and has generally won the respect of colleagues and civil servants. He is a strategic politician, preferring to leave the details to officials. Speculation that he could succeed the prime minister seems far-fetched, although he appears to have the necessary ambition.

As a political philosopher he has been less successful. A recent speech to the Tory Reform Group, written with Michael McManus, a former member of the Social Democratic party and now Hunt's political adviser, attempted a synthesis between the free-market individualism of the Thatcherites and his own more pragmatic views, but concluded rather limply that choice and responsibility were the Tory concepts for the 1990s.

The attempt to express his views without causing too much offence to his free-market colleagues also leads Hunt into some strange convolutions. In a recent speech he said it was the government's duty "where necessary, to remedy market failure through direct intervention". He added later: "When we in government speak about partnership, we are not therefore speaking about nationalisation, nor about interventionism nor about corporatism."

One of his close political colleagues says the real clue to Hunt is that his ideas spring primarily from sentiment and experience. What divides him from the Euro-sceptics, for example, seems to be more an attitude than strongly differing views about monetary policy or national sovereignty in Europe.

He agrees, saying that much of the Maastricht dispute was "completely unnecessary and not founded on true policy divisions". His own Europhile roots he traces to his time as a leading member of half a dozen youth organisations – including the Young Conservatives and the British Youth Council – through which he became friends with young leaders from other European countries, such as Volker Rühe, now German defence minister.

Hunt also speculates that his enthusiasm for Europe, "which really brought me into politics", stems from his background in an "outward looking Liverpool shipping family". The family owned the first iron ship to cross the Atlantic, but Hunt, who rejected the sea to become a solicitor before going into politics, says he has learnt a cosmopolitan attitude and a deep dislike of corporate socialism from his Liverpool roots.

Yet when he talks about Europe it becomes evident that the differences within his party are not *just* of attitude. Moving up a rhetorical gear he speaks of "deeper dimensions ... ever closer union of the European peoples" and of Europe being "substantially more than just an economic free-trade zone".

We are likely to see and hear a lot more of David Hunt in the next few years. To date he has made his mark as an ideological juggler rather than as the author of a coherent new Tory philosophy. But if his party ever loses an election, his hour may come.

# A contrary view on healthcare

**MICHAEL PROWSE on AMERICA**

One of the few spheres of life in which proponents of free markets have suffered a devastating defeat is healthcare. After 50 years of quasi or fully socialised medicine in most of the industrialised world, economists are nearly united in believing that the normal laws of supply and demand cannot and should not be allowed to function (doctors and lay observers, of course, have always taken this for granted). To control costs and ensure fair access to care, governments (or their agents) must supervise the provision and the financing of care, if not actually own hospitals and pay for them with taxes.

Nothing supposedly shows more clearly the folly of relying on the private sector than the US's chronic problems. The one rich country that tried to buck the trend toward socialised medicine isconfronting a large uninsured population (37m people lack easy access to care) and uncontrollable pressure for higher spending (healthcare absorbs 14 per cent of national income, against 7-8 per cent in other rich countries.) The surprise is thus not that the Clinton administration *is* attempting to extend the role of federal government but that this was delayed for so long.

This conventional wisdom is so well entrenched that it is refreshing to see the opposite point of view argued with clarity and commitment. In Patient Power: Solving America's Health Care Crisis*, economists John Goodman and Gerald Musgrave first try to dispose of the argument that US experience has proven the inadequacy of free markets.

Nothing, they claim, could be further from a real market than the US system in which nearly all healthcare is financed by employers or the government. Consumer preferences determine neither the overall level of spending nor the allocation of resources between different types of treatment; the system is as paternalistic as any in Europe while lacking any semblance of cost controls.

The solution, according to Goodman and Musgrave, lies in abandoning the belief that healthcare is "different." It is ludicrous, they say, to argue that individuals lack the knowledge to make wise decisions; the same could be said of many other fields, such as finance, where the products are highly complex. And a glance at the way medicine really operates shows that all involved are just as self-interested as in supposedly more commercial spheres. The challenge is to direct self-interest in socially useful directions and to give the "experts" an incentive to use their knowledge for the benefit of the consumer.

Dismissing the Clinton strategy, which involves an extension of employers' responsibilities, Goodman and Musgrave advocate putting individuals in the healthcare driving seat. The first step would be to replace the large tax incentives (worth $60bn (£42bn) a year) for employer health schemes with a modest tax credit claimable only by individuals. Companies that persisted in providing health insurance would have to include the benefit as part of gross wages and give employees the option of taking this benefit in cash. The result would be a rapid growth in personal health insurance, although most people would probably opt to join large, managed care groups. But the link between health insurance and employment would be broken.

The second step would be to promote personal saving for health expenses as an alternative to private insurance and government welfare. Individuals would receive tax relief only for "catastrophic" health insurance – cover for relatively improbable but potentially very expensive care, such as open heart surgery. Catastrophic insurance tends to be much cheaper than policies that also cover every minor ailment.

All routine low-cost care (up to, say, $2,000 a year) would be paid for out of savings. To make this possible the government would give employees (and employers) tax incentives to build up "medisave" accounts. These would reduce health spending in two ways. First, individuals would have an incentive to economise since any unspent cash in medisave accounts would form part of their personal wealth. Also, most health bills would be paid out of pocket, thus greatly reducing administrative costs.

Government would have a drastically reduced role. Rather than setting up special programmes for the poor, it would restrict itself to providing direct financial support to individuals to enable them to buy the insurance they need. The level of support would depend on health needs as well as income, reflecting the higher cost of insurance policies for people who have (or have had) serious illnesses.

There is no chance that such policies will be tried in the near future. But as technology advances, increasing the range and cost of potential treatments, the "one size fits all" health policies championed by many governments may come under increasing pressure. Individual preferences (which vary a great deal) surely ought to determine crucial trade offs – for example between spending on consumption today and on extremely expensive medical treatment to prolong life by a few months. Yet such rational decision making could occur only in an individualised, truly market-oriented system such as that outlined by Goodman and Musgrave.

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# A note of disharmony

Gerard Mortier, artistic director of the Salzburg Festival, does not fear controversy. His enemies might suggest that he positively courts it. Whether as general administrator of the Brussels Monnaie – an operatic backwater which in the 1980s he transformed into one of the most adventurous and exciting of Europe's front-rank opera houses – or now at Salzburg, the 49-year-old, small, bespectacled Belgian has demonstrated a unique capacity for arousing strong passions.

Last summer there was, for instance, a war of words after the departure of Riccardo Muti from the festival before the opening of the new production of Mozart's opera La clemenza di Tito. At the 11th hour, Muti found it too "modern" for his taste.

This summer, with the festival now into its final week, there has been a hue and cry over a new production of Mozart's Cosi fan tutte in modern dress and experimental style. The first-night audience booed ferociously; debacle and flop were some of the terms of abuse lobbed by the Austrian press.

At about the same time another highly publicised dispute had broken out with another Italian superstar, this time Claudio Abbado. The argument concerned Abbado's provocatively timed announcement of a plan to conduct a new production of Strauss's Elektra at the 1995 Salzburg Easter Festival, a short springtime offspring of the main festival. Mortier said the project was in direct and improper competition with the new Elektra he had already planned for summer later that year. Charges of bad faith flew back and forth. Unusually, it is Mortier who has backed down: Abbado's Elektra will be the one given in 1995.

Though the furores provide fodder for entertaining café chatter, they also represent, in artistic and economic terms, a tug-of-war of considerable significance.

There is much at stake. For a sizeable chunk of the post-war era – roughly contiguous with the latter 25 years (1964-89) of Herbert von Karajan's life – Salzburg secured a position as the most luxurious of the top-level annual summer festivals. The Salzburg-born Karajan, probably the 20th century's most consistently power-hungry superstar conductor, moulded the enterprise into an emporium for top-name performers, giving glossily spectacular accounts of themselves at exorbitant ticket prices. The record companies, particularly those with which the conductor-boss was involved, were able to treat the festival as a showcase.

**There is more than the Karajan mystique for Mortier to root out**

Artistically, the formula became sterile. Invitations to take part depended on Karajan's favour. Perceived rivals, such as Leonard Bernstein, or unwelcome trend-setters, like the pioneering Austrian period-instrument conductor, Nikolaus Harnoncourt, were rigorously excluded. The experiments in radical production that gripped European opera in the late 1970s and 1980s found no place in Salzburg.

Mortier was brought in to change all this. Having learnt his operatic trade throughout the 1970s in, successively, Düsseldorf, Frankfurt, Hamburg and Paris, he went to Brussels in 1981 to take charge of a Sleeping Beauty opera house – once-great, then mired in mediocrity and restrictive practices, with a disaffected audience.

Though the architectural renewal of the building, including an office extension at roof level, remains a cause of dispute, the artistic renewal gave Brussels opera a distinctively forward-looking feel.

He had no truck with opera-as-showbiz and with its stars: "My public knows," he once said, "that the doors of the Monnaie are too small for Pavarotti, the corridors too narrow for Jessye Norman." He has been called narrowly puritan in his tastes, yet in a short time the Monnaie became one of the hot places of international opera.

Mortier has wasted no time in making his mark in Salzburg. Under Peter Stein, the celebrated German theatre director who serves as drama overseer, the drama programme has come vibrantly alive. The choice and style of opera presentation reflect what might be called the Monnaie imperatives: Mozart rethought, 20th-century masterpieces, Monteverdi revived. Period-instrument performance, banned by Karajan, is a regular feature. Orchestras of quality from all over the world figure on the concert schedule.

But the outcome of the campaign is far from certain. There is more than the Karajan mystique for Mortier to root out, more than the disapproval of record companies and top artists' agencies to confront, more than the Austrian press's periodic fits of artistic xenophobia to withstand. A new, more adventurous audience has to be attracted. Ticket prices for prestige events remain among the world's highest (this year's top was Sch3,600, or £201). Except for the surefire operas – The Magic Flute, Cosi, Verdi's Falstaff conducted by Georg Solti – bookings are down. Grumbling traders, hoteliers and taxi-drivers are not hard to find.

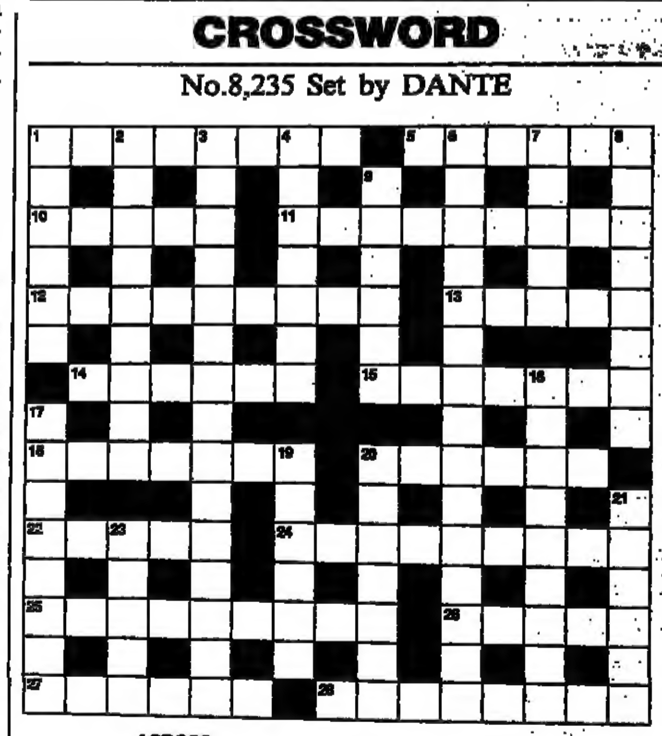
In addition, Mortier has the Vienna Philharmonic Orchestra to cope with. Formerly the festival mainstay, it now bitterly resents the way its role in both the opera and concert schedules is being whittled down. When questioned about this, Mortier is apt to comment, with the tartness of rejoinder for which he is noted, on the high cost of keeping one of the world's most admired, but most expensive, orchestras in Salzburg residence.

He is on a six-year contract in Salzburg, although it could be terminated earlier if the need proved overwhelming. Among more progressive musicians and critics, and in the wider world of opera, Mortier's Salzburg stance commands a unique degree of sympathy, respect and approval. But that may not be enough to guarantee his survival.

**Max Loppert**

## CROSSWORD

No.8,235 Set by DANTE



**ACROSS**

1 Picadors are involved here and there (8)
5 Seen in a colourful display of arms? (6)
10 Elevate one among many (5)
11 Bring in present (9)
12 A paper-bag? (5-4)
13 Carried, to a man (5)
14 It holds wine for a service in church (6)
15 Outstanding winter feature (7)
18 A likely backer for the training of climbers (7)
20 Face having to fail in endeavour (6)
22 A girl or man disguised (5)
24 Not so busy types sent in a busy type's place (9)
25 Boxer of cunning and power (9)
26 Excuse offered by 24 across? (5)
27 Marriage Guidance report (6)
28 Exert force on a chap to be journalist (8)

**DOWN**

1 Bash is organised for Europeans respected by Indians (6)
2 Start to make a speech without a single drink (9)
3 House rule? (3,2,10)
4 Flatter most sincerely (7)
6 Advent is a very long time to go (1,5,2,7)
7 Credit is tied up, we're told (5)
8 Completed more than once? That's too much (8)
9 Accentuate in a manner of speaking (6)
16 Stemming a disconcerting attraction (9)
17 Mean to become a candidate (5,3)
19 Such a dog may be involved in many dubious accounts (6)
20 Someone calling for a mask – that's about it (7)
21 Specify how a token may be regarded? (6)
23 Sail with two boys (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 4.